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Recent economic developments in the occupied Palestinian territory

Report by the UNCTAD secretariat

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SUMMARY

(i) By the middle of 1991, the capacity of the Palestinian economy to generate growth from a limited resource base and support a burgeoning and increasingly impoverished population appeared threatened by longstanding constraints, coupled with new pressures and challenges, emanating from within and outside the occupied Palestinian territory. The economic impact of the crisis which erupted in the Middle East region in August 1990 has alone assumed alarming proportions for the Palestinian people. The crisis resulted, inter alia, in reduced remittances to the occupied territory, new pressures on the already strained local labour market, the interruption of bilateral and multilateral transfers to the occupied territory and a halt in trade with traditional markets.

(ii) New restrictive measures by the Israeli occupation authorities against the Palestinian economy have further complicated and aggravated an already precarious situation. The blanket curfew declared by the Israeli authorities throughout the occupied territory as of mid-January 1991 brought the Palestinian economy to a virtual standstill. The main consequences were immediate production losses in all economic and social service sectors, a halt to imports of vital agricultural inputs and other raw materials, the total loss of income from work in Israel and diversion of savings to cover immediate consumption needs as against productive investment needs.

(iii) At the same time, the occupation authorities continued to enforce the range of restrictive policy measures which characterized much of the occupation period, especially collective punishments, expropriation of Palestinian land, the expansion of Israeli settlements in the occupied territory, and the increasing movement of Israeli settlers, including new immigrants, into settlements. Israeli security concerns and the need to provide jobs for new immigrants to Israel have led to the introduction of a new system of security passes to limit the number of Palestinians working in Israel, thus contributing to massive unemployment among Palestinians.

(iv) The Palestinian people have elaborated new policy measures to enhance self-reliance and build the infrastructure of a more cohesive and productive economy. While Palestinian economic initiatives have borne some positive results over the past years, the limitations inherent in some of the policies under the broad heading of "self-sufficiency" have prompted adjustments in local programmes and projects. Meanwhile, the interplay of different factors has led the Israeli occupation authorities to re-evaluate policies towards the Palestinian economy, resulting in the announcement of some new measures. Though relatively modest in the context of a harsh policy environment, these changes appear as encouraging signs of a willingness to take steps towards a more liberal economic environment in the occupied territory.

(v) There has been a growing awareness of the urgency of a systematic effort by the international community to expand assistance for the sustenance of the Palestinian economy. The United Nations and its specialized agencies continue

to be seized with the issues affecting Palestinian economic and social conditions. Despite these efforts, the actual amount of aid extended so far has fallen short of expectations and the scale of the needs. Apart from some contributions for emergency needs of Palestinian refugees, the only concrete measure of direct assistance to the occupied territory was that initiated by the European Economic Community, worth some $100 million, as against the total estimated losses of at least $500 million sustained by the occupied territory as a consequence of the economic impact of the regional crisis.

(vi) An examination of available Israeli and Palestinian data covering the 1988-1990 period depicts a rapid deterioration in the performance of the economy of the occupied territory during 1988-1990. Gross domestic product fell by around 12 per cent per annum, reaching just over $1,200 million in 1990; gross national product (GNP) declined by 11 per cent annually, to some $1,800 million; per capita GNP is estimated to have fallen to some $1,400 and $780 in the West Bank and Gaza Strip, respectively. Other major indicators reveal equally negative trends since 1987, reflecting the fall in aggregate demand in its consumption, investment and foreign trade components. The fall in income and in private savings has led to dissaving in parts of the economy, prompting an average annual fall of some 4 per cent in private investment in 1988-1990. The performance of the Palestinian external trade sector has continued to worsen, with little indication of hope for improvement as markets are closed to Palestinian products and imports stagnate with the falling purchasing power of Palestinian consumers. Population growth in the occupied territory did not show any notable change from already established trends, at an average annual rate of 3.4 per cent over 1988-1990. Israeli statistics indicate low rates of unemployment while Palestinian sources affirm much higher unemployment rates (over 25 per cent by mid-1991). The structure of the employed Palestinian labour force has remained more or less the same since 1988, though a decreasing proportion worked in Israel in recent years. It appears from these aggregate indicators, that the domestic economy has not yet commenced any clearly discernible move towards a serious restructuring that might be evident in sectoral shares of output or employment.

(vii) The above developments were largely the result of operating within the confines of longstanding restrictive Israeli measures coupled with the severe impact of external events and the absence of any indigenous and independent regulatory mechanisms for economic policy formulation and management. The situation calls for urgent and effective action on all levels, in a degree commensurate with the scale of losses experienced by the Palestinian economy since 1988. In this, the international community, and in particular the United Nations, has much to offer.

(viii) Some feasible measures to encourage immediate relief and revival and to contribute to a more secure and less hostile economic environment include: a freeze on the expropriation of Palestinian land and on the expansion of Israeli settlement activity in the occupied territory; an end to the use of collective punishments affecting the Palestinian economy; permitting the free movement of goods and people at all times between different areas of the

occupied territory; comprehensive reform and streamlining of trade policies and procedures, in line with recommendations made in recent years by the UNCTAD secretariat; further moves towards genuine reform of the fiscal system in the occupied territory; adoption of employment-generation programmes in the occupied territory to cope with massive unemployment; a parallel injection of investment capital into the economy in general, and into those sectors targeted for employment expansion in particular; inclusion of housing in the occupied territory as a top priority for investment, employment-generation and overall development considerations; and, reorienting Palestinian industrial subcontracting branches towards employment-generation schemes, linkages with domestic housing programmes and integration with existing import-substitution industries.

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INTRODUCTION

1. This report examines developments in the economy of the occupied Palestinian territory 1/ during what was largely a very turbulent period in the region (July 1990 - June 1991) and within the context of the cumulative impact of military occupation for almost a quarter of a century. While attention is focused on the most salient of these developments, some related issues and factors which have been monitored and analysed in previous secretariat reports and studies on the subject 2/ are briefly recalled when appropriate in view of their relevance and continuing influence. In preparing this report, the secretariat has carefully examined and drawn on facts and figures available from a variety of sources.

2. Part I of the report examines the range of factors influencing Palestinian economic activity in the period. These include the impact of the recent crisis in the Middle East on official transfers, remittances and export earnings; the interplay of Israeli policy measures and the sustenance of Palestinian economic initiatives; and, the international response to the deepening crisis in the Palestinian economy. This is followed by an analysis of economic performance at both aggregate and sectoral levels, notwithstanding the limitations imposed by the inadequacies inherent in much of the statistical data available since 1988. Part I concludes with an assessment of immediate prospects and consideration of feasible policy measures for action at the present crucial juncture. Part II of the report reviews the work of the Special Economic Unit (Palestinian people), UNCTAD secretariat, during the period under review.

Part I

RECENT DEVELOPMENTS IN THE ECONOMY OF THE OCCUPIED PALESTINIAN TERRITORY: PREVAILING CONSTRAINTS AMID NEW PRESSURES

3. As the West Bank and Gaza Strip enter their twenty-fifth year of Israeli military occupation, the challenges confronting Palestinian economic development are more formidable than ever before. Indeed, the very survival of the Palestinian economy now appears to be at stake as it strives to generate adequate growth from a limited resource base and to support a burgeoning and impoverished population amid a host of increasing constraints of occupation coupled with growing external pressures, especially those emanating from the recent crisis in the Middle East region. Recent economic developments in the occupied territory continue to be heavily influenced by the Palestinian uprising (intifada) there since 1987 and the efforts to quell it by the Israeli occupation authorities. Meanwhile, the impact on the Palestinian economy of recent upheavals in the Middle East was sharpened by the range of Israeli measures affecting the Palestinian economy. Even where some of the constraints on the Palestinian economy did not initially emanate directly from Israeli policies and measures, the occupation authorities have often acted in a way that has further complicated and aggravated an already precarious situation. This was demonstrated during much of the period under review, in that indications of policy moves towards economic liberalization were diminished by the simultaneous enforcement of debilitating economic measures in the occupied territory. The possible favourable impact on the Palestinian economy of the limited relaxation introduced recently in the scope of some of these measures remains to be seen as efforts are made to reconcile the interplay of conflicting forces. While there is a growing awareness of the urgency of a systematic effort by the international community to provide enhanced and expanded aid for the sustenance of the Palestinian economy, the actual response so far remains insufficient when compared to the scale of needs. It is this seemingly unending cycle of unfulfilled hopes and promises of reform and aid, against the backdrop of a harsh and frustrating economic policy environment and continuing sharp deterioration in sectoral and aggregate performance, that most clearly characterizes recent economic developments in the occupied Palestinian territory.

A. The policy environment influencing the economy of the occupied territory

1. The impact of the Middle East crisis on the Palestinian economy 3/

4. From the outset of the crisis which erupted in the Middle East region in August 1990, the economic implications for the Palestinian people in the occupied territory acquired serious proportions. Although unrelated to the immediate economic problems of the occupied territory, the crisis soon came to have a predominant influence over the daily economic and social life of almost every household and/or sector throughout the Palestinian communities. Its economic impact has been particularly pronounced in view of the close family ties, historical trade relations, longstanding regional solidarity with the Palestinian people under occupation, and significant financial interdependence between Palestinians in the territory and their relatives residing in the different countries of the region.

5. It is possible to distinguish between two broad sets of impacts of the crisis which continued to be felt by the Palestinian economy well into 1991. The first was primarily characterized by events taking place outside the occupied territory. In this respect, the crisis can be seen to have immediately touched upon four essential components of the Palestinian economy: the fall in private remittances to the occupied territory from migrant Palestinian workers in the region; the pressures on already limited job opportunities as a result of the return to the occupied territory of Palestinian migrant workers; declines in transfers to the occupied territory from various official and private sources in the region; and, the disruptions experienced in the external trade sector (traditional export and import markets) of the occupied territory. On another level, the economic impact of the crisis was felt through developments inside the occupied territory, especially the curfew imposed by the Israeli occupation authorities beginning with the outbreak of hostilities in the region in January 1991 (see A.2 below).

6. Workers' remittances to the occupied territory have surged for many years now as the result of a trend on the part of Palestinians to emigrate from the West Bank and Gaza Strip in search of work in the Arab States in the region. The growth of Palestinian communities in these countries was hastened mainly by the influx of Palestinian refugees from the West Bank and Gaza Strip as a result of the 1967 war, and by the flow of those who subsequently left the occupied territory for purposes of temporary or permanent work and residence abroad. Coupled with the accumulated natural growth of this emigrant Palestinian population, it is estimated that by the mid-1980s a total of at least 750,000 Palestinians originating in the West Bank and Gaza Strip were working and living especially in Jordan, Kuwait and Saudi Arabia. 4/ Whereas most emigrants lost their residency rights in the occupied territory, it is estimated by one source that up to 190,000 Palestinians residing abroad retain West Bank or Gaza Strip identity papers. 5/

7. Many of these emigrants support their relatives in the occupied territory through regular remittances. 6/ In some rural areas of the occupied territory, many families depend solely on these remittances for their income. Remittances have been transferred in cash over the Jordan River bridges through moneychangers and, more recently, through the reopened branches of the Cairo-Amman Bank in the territory. Notwithstanding Israeli restrictions on the entry of funds into the occupied territory during the first three years of the uprising, the total amounts actually reaching the territory did not fall because of the expanded and intensified efforts to assist the Palestinian people during that period. However, concurrent with the disruptions in the region beginning in August 1990, this important source of external finance was lost to many Palestinian dependants in the territory. Remittances to the territory, estimated by different sources, range between $120 million to $340 million annually. 7/ Between 23,000-40,000 emigrants (with West Bank and Gaza Strip residency rights) residing in Kuwait stopped sending remittances altogether, and a number of Palestinians in other countries stopped or reduced such assistance to relatives in the territory. 8/

8. A related consequence of the crisis for the Palestinian economy was the return to the occupied territory of a sizeable number of Palestinian emigrant workers from different countries in the region. To begin with, a number of families actually residing in these countries had to remain in the occupied

territory following their annual summer visits there. By September 1990, some 8,500 Palestinian workers residing in the oil-producing States of the region were reported to have returned to their towns and villages in the occupied territory; by November they had reached 15,000; and by the beginning of 1991, up to 25,000 Palestinian workers were reported to have returned. 9/ This unexpected addition to the local labour force posed serious additional constraints on the labour market, whose absorbtive capacity was already encumbered. Furthermore, the strained housing situation and social services in the territory were ill-equipped to deal with the surge in demand. There was little evidence that returnees brought with them any accumulated earnings they were able to save. In fact, most such earnings were feared lost during the crisis. The amount of loss sustained by the economy from this factor is difficult to estimate.

9. Deterred by these factors and a growing phenomenon of mass unemployment in the occupied territory, a number of other "potential returnees", with homes and/or family ties in the territory, remained in Jordan in the hope of taking advantage of possible improvements in the economic situation there. Others, deprived of their residency rights in the occupied territory, were reported to be preparing to emigrate even farther afield. These pressures led Palestinian trade unions, professional associations and economists to study possibilities for labour-intensive projects in the occupied territory that laid emphasis on income generation. At the time, one source noted that "there were no systematic, coordinated plans to absorb the returning Palestinian workers, but each institution unilaterally or jointly with others was doing its best to solve the problems raised". 10/ Appeals were intensified to Palestinian investors outside the occupied territory to direct their investment capital into development projects in the occupied territory, in the circumstances which "called for exceptional efforts to launch a development process, despite the imposed constraints, on to the path of creating local job opportunities". 11/ Prevailing constraints have largely deterred such external initiatives to date.

10. On another level, the crisis contributed to the curtailment of direct and indirect financial assistance from multilateral and bilateral sources in the region to Palestinian social and economic sectors. Notwithstanding urgent needs, the interruption of between 35 and 70 per cent of this source of external aid, which amounted to more than $150 million in 1989, dealt a further blow to the delivery of Palestinian social services. Many hospitals, universities and social welfare institutions in the occupied territory had come to depend on external sources for a significant proportion of their operating budgets, especially in the absence of any central government support for many of these vital services. These include, for example: the main hospital in East Jerusalem, 70 per cent of whose budget is financed by external sources; 250 West Bank charitable associations, 30 per cent of whose budgets are financed by external sources; a West Bank technical college, 90 per cent of whose budget came from these sources; a major West Bank university, a number of whose research programmes were financed by grants from universities and other institutions in the region; large irrigation and water projects in the West Bank, funded totally by multilateral regional sources; and, the West Bank Council for Higher Education. "Always underfunded ... these institutions have relied increasingly on transfers from Palestinians outside the territories and quasi-official Arab and international support". 12/

11. A growing body of local opinion considers that there are overall positive, developmental benefits to be gained from lessening the territory's dependency on external funding of this type. 13/ Some local institutions immediately announced that they would "increase financial efficiency", while attempting to avoid any cut-backs in the level of services. 14/ However, the same deterioration and factors which initially encouraged the growth of the network of voluntary and charitable social services in the occupied territory have, if anything, been accentuated since the uprising and the recent crisis in the region. The territory thus needs as much as ever to benefit from subsidized social services and remains incapable of shouldering the financial burden from domestic resources alone. The impact of the cut-off of aid, without any certainty of its resumption or compensation, has been sharp and unsettling.

12. From the start of the 1990/1991 agricultural year, the crisis brought an effective halt to Palestinian agricultural and manufactured exports to most traditional markets in the region, as a result of the closure of borders to trade between some countries and the disruption of demand for Palestinian exports in others. These disruptions affected especially a range of Palestinian agricultural exports which had well-established market shares (though small) in a number of countries, such as: grapes, melons, citrusfruit, vegetables, and olive oil. Also affected were manufactured exports such as marble, soap, building stone, and processed vegetable oils as well as some planned trial export shipments of other manufactures (viz., agricultural machinery, pharmaceuticals, food products and plastics). The transport sector, heavily dependent on the export trade to Jordan, was also affected. The sudden, precipitous fall in demand for exports was aggravated by the absence of alternative markets, in particular Jordan, which faced similar problems and thus had to dispose of its own growing surpluses. A major consequence of the closure of export markets for the agricultural products of the territory was widespread spoilage and dumping of crops and a sharp fall in local prices, well below the production costs incurred by farmers. While comprehensive data were not available, it is estimated that much of 1990/1991 export earnings were thus lost (equivalent to some $80 million in 1989). The uncertainty caused by these factors led, inter alia, to increased conviction of the urgent need for the establishment of agricultural processing facilities to absorb grape, citrus and other crops with chronic surpluses, and for greater diversification into viable staple crops suited to the farming areas of the northern West Bank and not subject to rapid spoilage, as well as for adequate and efficient marketing and other related institutional services.

13. There are several divergent estimates of the aggregate value of the losses incurred by the Palestinian economy as a result of the impact of the above-mentioned factors. While the indirect costs arising from the return of migrant workers cannot readily be calculated, the impact of the decline in remittances, transfers and exports is more amenable to quantification. It is pertinent here to mention that out of an annual total of $450-$950 million (according to different sources) generated by the occupied territory in 1989 from these three components, the losses incurred in 1990 are estimated at between $250 and $750 million, equivalent to between 55 and 80 per cent of the total, or over 10 per cent of gross national disposable income. 15/

2. The impact of Israeli policy measures on the Palestinian economy; Palestinian initiatives for self-reliance; and, the challenge of economic policy reform

14. The central, and generally predominant, factor influencing the performance of the Palestinian economy continues to be the cumulative impact of Israeli policies and practices over the 24 years of its military occupation of the West Bank and Gaza Strip. Much of the period under review witnessed an intensification of these policies and practices which include: Israeli measures associated with the regional crisis; the new wave of immigration to Israel and growth of Israeli settlements in the occupied territory; control on the entry of Palestinian labour into Israel; and, collective punishments and other Israeli measures affecting the economy. As in the past few years, the range of restrictive policy measures affecting the Palestinian economy in 1990-1991 was countered by a series of initiatives of the Palestinian people designed to lessen economic dependence on Israel and enhance self-reliance. In the past, the outcome of the interplay of these factors was generally inconclusive: Israeli measures concentrated on achieving the minimum policy aim of maintaining control; inadequate attention was given to sound economic management. Meanwhile, Palestinian economic initiatives were unable to achieve more than limited and isolated gains in the absence of comprehensive and integrated development programming. However, in what is widely seen as a departure from past trends, recent developments have been accompanied by indications of a willingness by the Israeli authorities to permit greater economic initiative in the occupied territory. This section throws light on the interplay of these conflicting, yet challenging, developments.

15. As noted earlier, new measures adversely affecting the Palestinian economy were instituted by the Israeli authorities in conjunction with the Middle East crisis. 16/ Commencing in August 1990, Israeli controls and security checks on Palestinian exports, in particular those directed to Jordan, were intensified to ensure compliance with international trade sanctions applied against Iraq. Farmers and exporters were explicitly warned by the Israeli authorities that such exports would not be allowed, even though that market had not been a significant trading partner of the occupied territory for many years and, in any case, it was not directly importing from the territory. Since these new controls affected all exports, their introduction added yet another bureaucratic complication to the already cumbersome and taxing export procedures in the occupied territory.

16. Notwithstanding their discouraging effect on exports, these measures had a minor impact on the Palestinian economy compared to that of the 24-hour curfew imposed by the authorities as of 17 January 1991 on the Palestinian people in the occupied territory (including in parts of East Jerusalem). The curfew was imposed initially as a precautionary security measure during the hostilities in the region, and its debilitating impact was felt in every sector of the occupied territory, bringing the economy to a virtual standstill for most of its duration. Estimates of the economic impact of the curfew vary according to the source, reference period and scope of estimates, ranging from between $200 and $400 million, equivalent to 11-22 per cent of GNP. 17/ Until mid-February, the curfew was lifted in the West Bank for several hours every few days and in the Gaza Strip once a week (and then only for women), after

which it was eased in most areas for longer periods. The general curfew provisions were fully lifted by the end of March, over two months after being imposed, but their impact continued to be noticed several months later. 18/

17. The gradual lifting of curfew restrictions in February permitted the resumption of some economic activities, but was insufficient to allow movement to work in other areas of the occupied territory (which were sealed off from each other) or to Israel. Throughout most of the duration of the curfew regime, over 100,000 Palestinians were banned from commuting to jobs in Israel and found themselves with no source of income whatsoever. The movement of vital food, medical and other supplies was similarly constrained. In particular, the ban on travel from other areas of the West Bank to East Jerusalem caused special hardships owing to the city's central position in the Palestinian economy. Central markets were inaccessible to merchants and clients; the transport of goods and persons was paralysed; the movement of people over the Jordan River bridges was prohibited except on pressing humanitarian grounds. The public transport sector, which depended heavily on internal and external overland routes, was affected particularly adversely by the curfew. Municipal authorities soon exhausted their meagre operating budgets and could not collect local taxes and utilities charges. Businesses and professional services were closed; hotels and tourist facilities remained unpatronized. The transfer of badly needed funds (private savings and official or charitable aid) into the territory was frozen. The delivery of social services, including health, education and sanitation, was seriously impaired.

18. All Palestinian factories were at first shut down, though in early February 46 plants were permitted to reopen. Neverthless, they faced a number of problems, including difficulties in obtaining raw materials on credit from Israeli suppliers, securing permits for transporting raw materials and workers under curfew, a cut-off of informal credit facilities usually available to small industries, and a consumer public whose purchasing power had been heavily depleted. Most of these constraints were still in force some two months after other curfew-related measures had been lifted. Most households soon exhausted all available funds by drawing on remaining savings. More disadvantaged population groups could only benefit from international assistance or communal and family solidarity to sustain themselves throughout the curfew. 19/ The mayor of the once prosperous city of Bethlehem affirmed that 50 per cent of families were living "below the poverty line". 20/ The food shortages of the first weeks of the curfew gave way to surpluses in local shops and markets which opened for a few hours a day. Nevertheless, in certain remote areas of the Gaza Strip and the northern West Bank, isolated cases of severe hunger and illness due to malnutrition were reported. By the time market distribution of food was restored, the financial resources of many people had been exhausted to the point where certain basic commodities and needs could not be afforded, even at the depressed levels to which prices had fallen. For example, while the price of tomatoes during the curfew fell to a third of its previous level, sales dropped by over 60 per cent. Though the Nablus municipal slaughterhouse was operating at 20 per cent of pre-curfew capacity, it was oversupplying the city's meat market. A large dairy in Hebron was losing thousands of dollars daily because shopkeepers were

returning products which had passed their expiry dates unpurchased. A major food plant in Beit Sahour was reported to be functioning at 10 per cent of capacity owing to weak demand and the lack of curfew permits for employees.

19. Undoubtedly, agriculture was the sector most devastated by the curfew, and losses were both immediate and long term. From the first days of the curfew, which coincided with a crucial period of harvesting the winter crop and sowing the summer crop, farmers throughout the occupied territory reported losses in all domains. As farmers were prevented from attending to crops or herds (and those who did risked confrontation with security forces or heavy fines), a number of operations were thus affected. Spraying of insecticides, irrigating, fertilizing and harvesting were impossible. The preparation of soil and planting of summer crops were affected, as rainfall began in late January after a drought period. Even when the curfew was not an obstacle, many imported inputs were not available or their cost was prohibitive. The lucrative crops under plastic and in greenhouses throughout the territory were especially susceptible to the lack of ventilation and proper care, causing bad infestation. The harvesting of the Gaza Strip citrus crop was seriously disrupted, and those amounts which were picked were sold at a loss. Owners of seedling nurseries were unable to plant out and water seedlings as they matured. Livestock was deprived of grazing areas, forcing some farmers to obtain costly imported concentrated animal feed and others to feed their herds on inappropriate cereals. The Gaza Strip fishing branch, already in poor shape owing to occupation restrictions, was paralysed throughout the whole curfew period. The curfew also resulted in the suspension of agricultural extension and veterinary services, especially needed owing to the added impact of drought this past season and the birth of many animals in the early spring.

20. Marketing of fresh produce was seriously disrupted, both locally and for export, including the recently opened direct-export routes to Europe. In this respect, one Gaza Strip citrus exporter could not obtain a permit from the authorities in early February to transport his produce to the Haifa port, while in April another could not obtain the necessary credit from Israeli banks to pay for a valuable shipment, though the produce and the cargo ship were in port ready for loading. Only the largest citrus producers in the Strip, and a few wholesalers in the West Bank, received curfew permits for movement of workers and produce, and even then in insufficient numbers. Fresh fruits and vegetables rotted in fields or in inadequate storage facilities. Though dairy producers in the Gaza Strip badly needed outlets, the authorities actively facilitated the distribution of Israeli dairy products.

21. Although economic developments in the occupied territory during the period under review were dominated by the factors discussed above, other Israeli policies were also influential. Other areas where restrictive Israeli policy measures continued to be intensified were the expropriation and control of Palestinian land and water resources, the intensive expansion of Israeli settlements in the occupied territory, and the increasing movement of Israeli settlers, including new immigrants to Israel, into settlements throughout the Gaza Strip and the West Bank, in particular East Jerusalem. These developments have acted together to accentuate pressures on the fragile Palestinian economy and its precarious sources of income, to threaten the limited Palestinian natural resource base, further segment the occupied territory and disrupt its communications networks.

22. Ever since 1967, the issues of expropriation by Israel of Palestinian natural resources, and their allocation for the use of Israeli settlers in the occupied West Bank and Gaza Strip have been distinctly intertwined. The establishment and expansion of Israeli settlements in the occupied territory has only been possible by virtue of a parallel process of confiscation of Palestinian land and water under a variety of pretexts. The building of Israeli settlements on expropriated Palestinian land achieves the declared objective of "establishing facts" on the ground in the belief that they would be irreversible. Both processes impinge directly on the potentials of the occupied Palestinian territory to provide the necessary shelter for the hundreds of thousands of Palestinian refugees (both within and outside the territory) whose legitimate homes and lands remain there.

23. By 1990, the expropriation of Palestinian land had put at least 53.7 per cent of the occupied Palestinian territory under the control of Israeli military authorities and settlers. 21/ Available information for 1990-1991 indicated no slowing-down in this trend; if anything, settlement activity was stepped up as from early 1991. In one of the most wide-ranging and concentrated expropriations in recent years, numerous Palestinian localities in the central West Bank are to be affected by a swathe of expropriations of mainly agricultural land, totalling at least 70,000 dunums in March and April alone. 22/ The expropriated lands are destined for a variety of uses. Some areas will be allocated to the building of a north-south artery intended to link northern Israel with the Negev region, passing through the heart of the West Bank and threatening the territory's major grape-producing area near Hebron; another is destined for transformation into a garbage dump; the rest is intended for use by the Israeli military and the building or expansion of settlements such as Remunim, Revava, and Maaleh Amoz. Implementation of these expropriations would affect much of the present farming land of two Palestinian villages, thus depriving tens of families of their main source of livelihood. Meanwhile, the East Jerusalem Chamber of Commerce exposed an Israeli scheme to make Palestinian landowners pay six years of retroactive property taxes along with exorbitant interest rates based on a 1951 law never before applied in occupied East Jerusalem, about which they had never been notified, on the basis of inflated property estimates and at the risk of having land confiscated for failure to pay.

24. Israeli authorities have intensified the expansion of existing and new settlements and elaboration of plans for future settlement activity in the occupied Palestinian territory. Israeli policy on settlement construction remains unequivocal: "Israel has always built, is building and will continue to build in (the West Bank) and the Gaza Strip ..." 23/ Inter alia, the momentum of the most recent settlement drive has helped to pave the way for the increased settlement by Israelis in the occupied Palestinian territory. As in the past, this was facilitated by the expropriation of the land necessary to promote homogenous areas of Israeli settlement. For example, the settlement of Maaleh Adumim east of Jerusalem is planning to expand westwards up to the borders of East Jerusalem by adding 15,000 dunums of land that currently belong to Palestinian villages in the area, and eastwards up to the municipal borders of Jericho. 24/ This is part of an Israeli plan reportedly entitled "Gateway to the East", which would effectively expand eastwards the borders of metropolitan Jerusalem without formally annexing to Israel any more

West Bank territory. A major stumbling block to this contiguous area of Israeli settlement from East Jerusalem to the Jordan River is how to accommodate the Palestinian villages, land and 30,000 inhabitants living there.

25. Throughout the occupied territory, homes are being installed and built to accommodate new Israeli settlers, with efforts focused on intensified settlement in and around East Jerusalem and along the border between Israel and the West Bank. 25/ A total of 17,000 new housing units are planned for new and existing Israeli settlements in metropolitan Jerusalem in the coming two years, of which 15,000 are to be built on confiscated land in East Jerusalem. This is in contrast with 7,500 units planned for Palestinian neighbourhoods in the city, the only expansion permitted in over 10 years and still awaiting implementation. Meanwhile, Israeli settlement in the old city of East Jerusalem continues unabated. In the Gaza Strip, several hundred new units were completed in early 1991, with between 1,500-2,000 units approved for construction over the coming year. After building or installing 4,500 new homes in the West Bank in 1990-1991, at least 13,000 additional units are planned to be built there by 1992 (excluding East Jerusalem). It is also reported that the Israeli Ministry of Housing has longer-term plans to build 16,000 new units in Hebron in the West Bank and another 13,500 in the Gaza Strip, by expanding existing settlements and establishing five new ones. 26/

26. By mid-1991, there were at least 216,000 Israeli settlers in the occupied Palestinian territory: 122,000 in East Jerusalem, 90,000 in other parts of the West Bank and 4,000 in the Gaza Strip. According to most reports, 7,500 new immigrants to Israel from one source alone settled in the occupied territory, indicating that population growth in the settlements in 1990 was fuelled mainly by the influx of new immigrants. Given the growing movement of new settlers to the occupied territory, including skilled new immigrants, Israeli planners are concerned with the need to provide these settlers not only with housing and infrastructures but also employment. Incentives are offered to encourage settlement in these areas, including better mortgage terms, tax relief, grants to encourage new industrial investments, and advanced transport and settlement infrastructures. The natural touristic potential of some of these sites has also encouraged projects to develop settlements in the Jordan valley and tourist attractions such as amusement parks, hotels and commercial centres in the Gaza Strip. Elsewhere, the emphasis is on intensive agriculture or high-technology manufacturing, while many settlers in the West Bank living near the Israeli border commute on a daily basis to jobs inside Israel. In all cases, the economic implications of this development for the Palestinian people are alarming: their jobs in Israel are increasingly taken by the new immigrants, their land is taken away and given to Israeli settlers, which in itself puts many Palestinians out of work - often they end up working on their own land, turned into Israeli settlements, by building homes for the new immigrants in the occupied territory.

27. Security concerns inside Israel and the need to provide jobs for new immigrants to Israel have also contributed to imposing selective bans on the movement of Palestinian workers to jobs in Israel, leading to the introduction of a new pass system in 1991 aimed at significantly limiting the number of Palestinians working in Israel. 27/ Over and above other pressures which have

limited domestic employment opportunities for Palestinians, this factor has been a major element in creating massive Palestinian unemployment. Already, in 1989 the Israeli authorities had instituted a magnetized identity-card system to ensure security clearance of all workers and others travelling from the Gaza Strip into Israel. Whereas the pressures to take the latest restrictive measures were apparent already in late 1990, it is only since the curfew in 1991 that the authorities have begun to implement seriously strict new guidelines in this regard. Prior to that there had been frequent, if muted, debate regarding the need to regularize the status of over 75,000 Palestinians working in Israel without formal contracts and permits, as compared to no more than 50,000 with permits. 28/

28. The first clear indications of the readiness of the Israeli economy to reduce its longstanding dependence on Palestinian workers from the occupied territory came in late October 1990. In the light of Israeli security considerations, the authorities decided to close off Israel for five days to all Palestinians from the occupied territory, including those working in Israel. An intensive debate ensued in Israel about the costs and benefits of reliance on Palestinian labour, the ability of the Israeli economy to free itself of that reliance, and the implications this would have for the Palestinian economy. Meanwhile, those branches heavily dependent on Palestinian workers attempted to locate alternative sources of labour, especially among the ranks of the 90,000 unemployed Israelis and new immigrants to Israel. In most cases replacements were impossible to come by: the Tel Aviv sanitation department tried to replace its 300 Palestinian workers and was initially able to hire only five Israelis, all recent immigrants; for the jobs vacated by Palestinians in the city's wholesale fruit and vegetable market, no Israelis came forward to put in the long, inconvenient hours of menial work required; in another Israeli sanitation department, a motorized sweeper was introduced to do the work of 11 persons. 29/ Of the job offers made during the closure, only a third were taken up; in most cases Palestinians resumed their jobs when the ban was lifted.

29. As a result of this first effort to replace Palestinians working in Israel by Israelis, altogether some 3,000 Palestinians were reported to have lost their jobs - not a very large number considering the extent of debate and tension that the issue raised at the time. In fact, for several weeks afterwards, discussions within the Israeli Government were inconclusive: one plan to limit the entry of Palestinian workers to Israel to a level of 50,000 (all of whom were to be issued with labour permits) was countered by arguments about the security implications of rendering redundant some 60,000 other Palestinians, as well as the need to prepare the Israeli economy for the change. The Israeli Minister of Defence summed up this viewpoint: "A programme has to be devised whereby the role of labour from the territories within the Israeli economy will be reduced in gradual stages". 30/ The deadlock on the issue was indicative of the absence of a clear policy decision about how to handle the issue and the corresponding uncertainty in a number of economic branches about the feasibility of an immediate closure of the labour market to Palestinians.

30. The curfew imposed by the Israeli authorities in January 1991 encouraged both the Palestinian labour force and Israeli employers to face squarely the issue of work by Palestinians in Israel and its impact on both the Palestinian and Israeli economies. All those Palestinians usually employed in Israel were confined to their homes for several weeks, during which work continued relatively normally in most Israeli economic sectors, though deprived of Palestinian labour. It was this forced disengagement that seems to have jolted the Israeli economy into adapting itself in 1991 to a significantly reduced number of Palestinian workers. Permits would henceforth be issued to workers requesting them after they had obtained the necessary security and other clearances from the occupation authorities; stiff penalties would be imposed on employers and employees who attempted to bypass the employment offices.

31. As from the end of February 1991, the number of permits issued to Palestinian workers rose and most restrictions on their movement into Israel were gradually eased. By April, the authorities had effectively accepted the plan which had been inconclusively debated some six months earlier. The Head of the Employment Service in the Israeli Ministry of Labour redefined policy goals in simple terms: "We need to replace all workers from the territories with new immigrants". 31/ By then, 75,000 such permits had been issued (45,000 in the West Bank and 30,000 in the Gaza Strip), as compared to a total of 35,000-50,000 permits issued in previous years. Neverthless, it was still not possible for workers to move freely to places of work in Israel or remain there overnight, even with permits. Instead, they remain dependent on employers to transport them, leaving as many as half of those with permits unable to take advantage of them. In several Israeli cities, authorities and enterprises have ended or strictly limited employment of Palestinians. Depressed wage levels and increased transportation costs have reduced income levels accordingly. Now that the authorities have organized the flow of Palestinian workers to Israel, other factors (e.g. a preference shown by Israelis to employ Israelis and especially new immigrants) has effectively reduced the demand for Palestinian labour by as much as half.

32. In addition to the major areas of impact of Israeli policy measures on the Palestinian economy discussed above, the Palestinian economy was also subjected to various other measures, characteristic of the restrictive economic policy environment prevailing under occupation, especially since the Palestinian uprising. Though overshadowed by more pressing issues, these practices had, as in past years, a depressing influence on Palestinian economic activities and are indicative of the complex and frustrating climate encouraged by deliberate policy measures in the occupied territory. 32/

33. One issue that has acquired special prominance recently concerns the implications, both immediate and strategic, of control over water resources in the occupied Palestinian territory. 33/ The responsibility for exploitation of water resources in the occupied territory has rested with the occupation authorities since 1967. They continue to pursue a discriminatory water distribution policy favouring Israeli needs, for use both in Israel and in its settlements in the occupied territory, largely at the expense of the growing requirements of Palestinian households and economy. 34/ The situation grew more critical over the year in light of the low replenishment of acquifers in the area and increasing pressure on supplies. This coincided with calls

within the Israeli Government for stricter Israeli control over Palestinian water resources. 35/ Notwithstanding the ultimate status of this vital and scarce resource, present policy measures continue to be detrimental to Palestinian communities. In some localities, the authorities cut water supplies for a variety of reasons, including alleged non-payment of bills and as collective punishments against groups of farmers or localities.

34. Other collective punishments hampering Palestinian economic activity included curfews, such as that imposed on the commercial centre of Gaza city for much of the summer of 1990, seriously affecting trade, manufacturing and transport. The widespread practice of demolition of houses by the Israeli army for reasons of "security" or for lack of building permission continues to constrain the expansion of Palestinian localities and the needs of their inhabitants. In the first half of 1990, it was estimated that 115 Palestinian houses were bulldozed, as many or more than the number of building permits issued in the same period. 36/ On another level, Israeli regional planning of roads and other infrastructure in the territory disregards Palestinian economic development needs, as witnessed by a military order to close the most profitable Palestinian stone-quarrying enterprise in order to build a bypass road for Israeli settlers around Nablus. 37/ Meanwhile, Israeli authorities continued to undertake collective tax raids, often taking advantage of curfew conditions to locate alleged "offenders", while other pressures increased unduly the tax burden on individuals and enterprises, especially in the paralysed Palestinian tourism sector. Protectionist pressures mounted in Israel as the Israeli Organization of Vegetable Growers petitioned the Israeli High Court of Justice to enforce fully the prevailing Israeli bans against imports into Israel of Palestinian agricultural produce. 38/ One Palestinian garment exporter lost lucrative export markets in Europe and North America after Israeli tax authorities unduly delayed approval of import licences for raw materials. 39/

35. Since the beginning of the uprising in December 1987, Palestinian communities and institutions in the occupied territory have elaborated and implemented a range of economic programmes and projects designed to enhance self-reliance in production, lessen dependence on external financial sources, diversify, rationalize and integrate domestic production branches, reorient consumption patterns towards less conspicuous modes, and thus promote a more productive allocation of investments. Considered by Palestinians as an integral part of policies pursued within the context of the uprising against Israeli occupation, these measures equally reflected a determination to change the generally inadequate and often hostile economic policy environment in the occupied territory. Conditions in the first years of the uprising permitted the launching of Palestinian economic initiatives, with relatively few external hindrances notwithstanding the constant pressure exerted by the occupation authorities. The period until 1990 was marked by locally conceived and implemented economic policy measures, sectoral and regional programmes, experimental and pioneering projects, new institutional forms and entrepreneurial initiatives, as well as a range of popular "participatory development" efforts involving families, communities, regions, cooperatives, enterprises, and professional associations. 40/

36. Undoubtedly, some Palestinian initiatives proved to be more viable, popular and successful than others, providing a sufficiently sound basis on which to advocate and put into practice longer-term initiatives and projects. 41/ For example, Palestinian entrepreneurs and economic institutions intensified efforts to establish the framework for a more modern and efficient system of financial intermediation. Palestinian businessmen worked hard through 1990 to obtain approval for establishing an indigenous bank, with an initial capital of some $15 million and four branches in the West Bank, to serve the occupied territory. The facility is expected to provide regular commercial services involving dealings in Israeli and Jordanian currencies. Efforts are under way to secure for it guarantees and technical assistance from European banks. In the same sphere, four local Palestinian credit agencies have bolstered the operations of successful "revolving funds", each managing several million dollars of loans to hundreds of mostly small-scale, new and existing businesses for start-up and working capital needs in agriculture and manufacturing.

37. The availability, albeit limited, of credit facilities has facilitated another notable achievement, namely the increasing trend towards small-scale business and directing investment towards more diversified manufacturing activities aimed at serving home and overseas markets. The more traditional manufacturing branches, such as food-processing, textiles, clothing, furniture, construction materials, plastics and pharmaceuticals, have remained the domain of already-established medium and large-scale enterprises. The latter have particularly benefited throughout 1990 from a degree of spontaneous "consumer protection" in the context of popular boycotts of Israeli manufactured and agricultural products and the corresponding rise in demand for locally-produced goods. These favourable market conditions were essential for allowing agriculture to reorient towards the domestic market and facilitated the survival of the Palestinian industrial sector throughout the period since 1987. Output levels were in most cases maintained or increased; improved performance in 1990 also helped many factories to avoid liquidation under the burdens of the curfew imposed early in 1991.

38. The areas of trade policy and development programming were given equal prominence. Until the end of 1990, the occupied territory witnessed several new indigenous efforts to improve marketing and promotional activities for Palestinian products, including trade exhibitions held locally and in select overseas markets and the establishment of specialized export companies. Innovative export arrangements were negotiated between Palestinian olive oil exporting cooperatives and the Italian Government whereby the latter contracted for the purchase of a substantial part of the bi-annual surplus for recycling as commodity aid to developing countries. 42/ Another pioneering scheme to export high-quality custom-designed clothing resulted in gaining a significant niche in select export markets by exploiting Palestinian comparative advantage in motivated, skilled and relatively inexpensive labour. Meanwhile, throughout the occupied territory, new local institutions and cooperative arrangements were being established and developed with a view to improving management and planning of investment policies and projects, enhancing entrepreneurial and technical performance, and improving coordination of Palestinian industrial activities. In the latter area, manufacturers in the Gaza Strip established the Federation of Gaza

Industrialists as a focal point to support local industrial policy and programming, while their counterparts in the West Bank intensified efforts to establish a similar advisory/support structure there.

39. Other Palestinian initiatives could not always fully achieve their aims owing to the formidable obstacles placed in their way by the occupation authorities, or in view of the premature nature of some proposals that required more developed and well-established institutional guidance to ensure their success. Most initiatives, such as those mentioned above, have yielded positive results for the Palestinian economy over the past three years. However, the limitations inherent in some of the policies espoused under the broad heading of self-sufficiency are increasingly being understood and appropriate adjustments are accordingly made in local programmes and projects.

40. This was apparent especially with respect to initiatives involving the urban household economy and the household-based production/marketing cooperative efforts in rural areas, both initiated to provide domestic productive alternatives to reliance on imports from Israel and to bolster subsistence in besieged or isolated localities. Although the need for such modes was apparent in the light of disturbances in local markets and productive conditions since 1987, the initiatives were often disrupted by Israeli measures and eventually outlived their effectiveness. Nevertheless, the domestic economy oriented itself and provided more sustainable institutionalized alternatives, especially through private enterprise development. In a similar way, Palestinian attempts at increasing the disengagement of its economy from Israel on the labour market level proved difficult to sustain over three years. This was especially due to the absence of any comprehensive or vigorous employment-generation programmes and projects, which are of vital importance to the economy of the occupied territory. Nevertheless, even prior to the developments in 1991 in this regard, Palestinian initiatives had successfully reduced the overall Palestinian labour input to the Israeli economy by at least a quarter, with much of that labour reabsorbed within Palestinian domestic economic sectors.

41. The interplay of various factors has also led the Israeli authorities in this period to re-evaluate policy towards Palestinian economic activity and consider certain reorientations. New attitudes were manifested in several notable developments throughout the period, especially since late 1990. 43/ An Israeli military government official has said of recent developments: "There is no change in policy but there is a new approach ... Instead of having the workers from the territories come to factories in Israel, we want those factories to go to the territories". 44/ Notwithstanding the implications of this new policy approach for the independence of the Palestinian economy, it entailed approval of licences for a number of new small-scale manufacturing, agricultural and commercial projects in the occupied territory; registration (after several previous refusals) of a Federation of Industrialists in the Gaza Strip; steps towards granting permission to local businessmen to establish Palestinian banking facilities in the territory for the first time since 1967; and, easing of restrictions on the flow of external financial resources by raising the limits from $400 to $3,000 per person entering the territory. A precedent was set with the reconsideration by the Israeli judiciary of the legal validity of prevailing non-tariff barriers (quotas) applicable to Palestinian agricultural exports to

Israel. Earlier in 1990, the lifting of some restrictions was noted in official offers to help Palestinian exporters establish new markets, although nothing was subsequently reported on this subject after the initial pledges. Most recently, the Israeli authorities announced tax-relief measures for new industrial investment and for some existing enterprises in the Gaza Strip as well as the establishment of an industrial zone in Gaza city and consideration of possible alternatives for banking and credit facilities. While falling short of the wider proposals for tax reform and economic liberalization made by an official Israeli committee of inquiry into Gaza Strip economic conditions and requirements, these initial steps appear to go some way towards improving the investment climate in the Gaza Strip. 45/

42. In themselves, these are modest improvements in a relatively harsh policy environment. Yet, they signal an awareness of the scale of the problems facing the Palestinian economy and a corresponding willingness to contemplate the bold steps needed in order to promote a more liberal economic policy in the occupied territory and to encourage a measure of relief and revival. The changed tone and content of Israeli policy measures in recent months appear to be motivated by several factors. These include: the sustenance and viability of most Palestinian economic initiatives despite restrictive Israeli policy measures; the increasingly active involvement of multilateral and bilateral international sources of aid in ensuring the smooth operation and outcome of local Palestinian development programmes, including representations to the Israeli authorities, as necessary; and, perhaps most imperative, the considerations within Israel favouring less dependence on Palestinian labour and the consequent need to encourage job-creation within the territory or face the perils of growing social discontent and unrest. It is considered by most Palestinian institutions and experts concerned that, however welcome these recent changes are, they leave the essential levers of control over the Palestinian economy in the hands of the occupation authorities and fall short of the comprehensive economic reform and restructuring required at this critical juncture in the territory. The potential Israeli economic interest to be derived from some of these recent measures has also been questioned by other local Palestinian opinion. This related to the benefits which accrue to Israeli investors by reorganizing relations with the Palestinian labour force in the occupied territory itself, and through direct Israeli investment in local industry or in industries in Israeli settlements designed to employ Palestinian labour.

3. International assistance to the Palestinian people

43. The most recent deterioration of the economic situation in the occupied Palestinian territory has been a source of growing concern for the international community. There is increasing awareness of the urgency of a systematic effort to provide enhanced assistance on an expanded scale for the sustenance of the Palestinian economy, especially in view of the limited impact of bilateral and multilateral assistance programmes to the occupied territory's economic and social sectors. Nevertheless, the speed and size of the actual response so far have fallen short of expectations and the scale of needs, especially since the crisis in the region.

44. Throughout the period under review, the United Nations and its specialized agencies have been increasingly seized with the issues related to

Palestinian economic and social conditions. United Nations departments and agencies have continued to implement their respective programmes of assistance to the Palestinian people. 46/ Despite the rapidly growing relief and development requirements of the Palestinian people, the scope of these programmes and the resources committed to them have remained fairly stable in recent years, barring two important exceptions. On the one hand, the United Nations Development Programme (UNDP) increased by 25 per cent, to $15 million, its regular budgetary resources committed to development activities in the occupied territory in the 1992-1996 cycle in the framework of its Programme of Assistance to the Palestinian people. 47/ This follows a notable level of programme delivery in 1990 of over $11 million (including extrabudgetary funding). The focus of UNDP activities continues to shift towards greater emphasis on projects in productive sectors, especially agriculture, industry, business development and trade. Meanwhile, the harsh conditions prevailing in the territory during the first quarter of 1991 prompted an expanded programme of humanitarian relief on the part of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). UNRWA made urgent appeals to donors and was soon able to distribute food aid to all needy Palestinian families in the occupied territory, including non-refugees. These measures commenced in early February and covered some 130,000 families in the Gaza Strip and 165,000 in the West Bank, each member of which received a three-month supply of food containing a minimum of 1,000 calories daily. This and other elements of UNRWA's rapid response to the crisis were welcomed in the occupied territory and elsewhere. Meanwhile, the Secretary-General of the United Nations has given the situation special attention and informed the Security Council of his request to UNDP to field "an economic mission to the occupied teritories, the principal objective of which will be to develop income-generating projects". 48/

45. Multilateral and bilateral assistance to the Palestinian people was maintained throughout the period, much of which continued to flow through UNRWA for refugee relief and other programmes in the occupied territory. The major donors to UNRWA (i.e. 24 contributors of $1 million or more each), responded to calls for exceptional assistance during the curfew, and several increases in contributions and pledges to UNRWA's regular and emergency programmes were announced at a meeting in Vienna in June 1991. 49/ This was intended, inter alia, to "help alleviate the economic pressure on Palestinians and ease certain burdens of the Agency." 50/ This included several emergency contributions of $4 million and above to UNRWA, from donors who had pledged $10 million or more to the Agency's regular programme for 1990, such as the United States of America, the European Economic Community, Japan and Sweden. 51/ In addition to the increased funding channeled through UNRWA to cover already incurred costs of relief, food and immediate economic aid primarily for refugees, one notable development was also reported with respect to the scale and scope of international assistance to the Palestinian people. This was the decision by the European Community Council, on 4 March 1991, to grant exceptional aid to the occupied territory of ECU 60 million in grants to fund housing, health and job-creation schemes. 52/ Combined with the doubling of the Community's ordinary 1990-1992 aid programme to the occupied territory to the level of 12 million ECUs, this constituted the only concrete programme of direct economic and social assistance to the occupied territory, which could provide a useful opportunity to gauge the scope for efficient absorption by the local economy of similar large-scale assistance packages.

B. Indicators of economic performance in the occupied Palestinian territory, 1988-1991

1. Aggregate indicators

46. In view of the difficulties in data collection since the uprising, official Israeli statistics are increasingly unreliable and fragmented. In its most recent statistical publication on the occupied Palestinian territory, the Israeli Central Bureau of Statistics (CBS) has confirmed that "since the beginning of 1988, data collection from these areas, and consequently also the processing and publication of these data, have been irregular. In addition, the quality of the data may have deteriorated." 53/ In the meantime, Palestinian and other institutions have attempted to fill the data gap and begun on a regular basis to collect and analyse data related to sectoral and aggregate developments, thus permitting the generation of alternative statistical series. Preliminary official Israeli data for 1988-1989 indicate a less severe decline in the domestic economic performance than that indicated by Palestinian sources, even though the latter incorporate Israeli estimates for several indicators on which only the CBS has information (e.g. trade with Israel in goods and services). In some cases, the Palestinian estimates appear more accurate than CBS data (especially with regard to domestic sectoral and aggregate product and external financial trade and transfers). For indicative purposes, it is prudent to consider the actual performance to be somewhere between the two sets of estimates. Palestinian sources indicate renewed decline in 1990, but there are no comparable official Israeli statistics. The three year coverage (1988-1990) using Palestinian estimates allows for a more comprehensive analysis of economic trends in the occupied territory; these are accordingly the main source relied upon in the following discussion. Based on these sources, the major indicators of aggregate economic performance in the occupied Palestinian territory for the period 1988-1990 are presented in Table 1. 54/

47. The setbacks sustained by the Palestinian domestic economy, during the period 1988-1990, are manifested in most indicators. Gross domestic product (GDP) declined by an average annual rate of 12 per cent over the three year period (in constant prices). This brought GDP down from $1,783 million in 1987 (in current prices) to some $1,239 million in 1990, of which some 24 per cent was generated in the Gaza Strip. The overall decline in GDP was, as always, sharper in the Gaza Strip (17 per cent per annum) than in the West Bank (11 per cent). This differential behaviour may be traced to various factors, most important of which remains the bi-annual olive crop which boosted agricultural growth by an average annual rate of 25 per cent in the West Bank as compared to an average annual fall of 4 per cent in Gaza Strip, giving an overall positive rate of 17 per cent growth in agriculture for the two areas combined. 55/ In fact, West Bank agriculture has been the only sector with overall positive real growth in the period since 1987, despite cyclical fluctuations (positive and negative) in the order of 40 to 50 per cent per annum. All other sectors exhibited varying rates of decline in the 1988-1990 period: industrial output fell by an annual average of 14 per cent in the occupied territory; construction fell by an annual average of 23 per cent; other sectors combined (public and personal services, trade, transport and communications) also declined by some 17 per cent.

Table 1

SELECTED INDICATORS OF ECONOMIC PERFORMANCE IN THE OCCUPIED PALESTINIAN TERRITORY, 1987-1990

YEAR	1987	1988		1989		1990	Average annual change 1988-1989		1988-1990
SOURCE	CBS	CBS	OPT	CBS	OPT	OPT	CBS	OPT	OPT
			(Current million US$)				(Per cent, at constant prices)		
Gross domestic product	1783.5	1798.7	1653.6	1684.9	1200.2	1239.0	-5.3	-20.0	-12.3
Net factor payments	689.7	692.4	692.4	679.4	610.5	548.1	-3.5	-8.7	-9.2
Gross national product	2473.2	2491.1	2346.0	2364.3	1810.7	1787.0	-4.8	-16.7	-11.6
Net transfers	129.9	121.3	218.9	121.1	289.6	149.0	-5.7	45.1	13.8
National disposable income	2603.2	2612.4	2564.9	2485.4	2100.3	1936.0	-4.8	-12.6	-11.0
Private consumption	1993.0	1872.5	1727.4	1756.9	1272.2	1226.6	-8.4	-22.3	-16.0
Public consumption	196.9	204.5	204.5	212.9	212.9	207.3	1.5	1.5	0.1
Private investment	465.3	384.6	384.6	414.8	414.8	414.1	-6.1	-6.1	-4.1
Public investment	95.3	56.3	56.3	36.0	36.0	35.7	-39.8	-39.8	-26.8
Exports	431.5	281.4	281.4	229.6	229.6	148.8	-27.9	-27.9	-30.3
Imports	1398.5	1000.7	1000.7	965.4	965.4	793.6	-17.2	-17.2	-17.42
Balance on goods and services	-208.0	-32.0	32.0	56.0	56.0	35.0	-	-	-
			(Current US$)				(Per cent, at current prices)		
Per capita GNP	1756.2	1707.6	1608.2	1570.5	1202.8	1147.3	-7.89	-16.8	-12.7

Table I. Sources

1. All data were originally published or compiled in new Israeli shekels (NIS) and have undergone two stages of subsequent treatment. For annual data, the NIS values were converted into current United States dollars using the average annual exchange rate as quoted in the annual edition of International Monetary Fund, International Financial Statistics, (Wash. D.C., IMF, 1991). Trend data were calculated on the basis of constant NIS prices, using a deflation procedure based on the consumer price index (CPI) of the occupied territory and an appropriate GDP deflator. This produces a series in constant NIS, which was then used to calculate average annual growth rates (constant prices).

2. Data for 1987 are calculated from Israel, Central Bureau of Statistics, Judea, Samaria and Gaza Area Statistics, vol. XVIII, Nos. 1 and 2 (Jerusalem, CBS, 1988);

3. Data for 1988 and 1989 are published by Israel Central Bureau of Statistics (CBS) in Judea, Samaria, and Gaza Area Statistics, Vol. XIX, (Jerusalem, CBS, 1991). Though incomplete and provisional, they are adequate as a frame for compiling more comprehensive series, indicated under the columns headed "CBS". When necessary, other available data sources have been used to clarify and round out the incomplete series and range estimates of growth provided by CBS for these two years. Alternative estimates for 1988 and 1989, based on an aggregation of Palestinian data sources, other observations on percentage changes in different indicators made in the occupied Palestinian territory (OPT) and CBS data when no other source exists, are presented alongside CBS data under the columns headed "OPT".

4. No CBS data have been published for 1990; accordingly OPT estimates are made in the light of available information on sectoral performance and established 1988-1989 trends. The main sources for 1988-1990 OPT estimates are:

- The data estimates reported in UNCTAD, "Recent economic developments in the occupied Palestinian territory" (TD/B/1266), Paras. 11-17;
- G. T. Abed, "The Palestinians and the Gulf Crisis", Journal of Palestine Studies, No. 78, Winter 1991;
- I. Abdel Hadi (ed.), "The impact of the Gulf crisis on the economic situation in the Palestinian occupied territories" (Ramallah, Bisan, 1990) (in Arabic);
- "Memorandum by Palestinian personalities to the Consuls General, East Jerusalem", 18.09.90;
- Palestinian Agricultural Relief Committees, "Report on the economic costs to the agricultural sector from the prolonged curfew in the occupied territories", 01.02.91;
- "Proposal by Palestinian credit institutions to the EEC for channeling funds to the three sectors of the economy of the West Bank, Gaza Strip", March, 1991;
- Palestine Economic Planning and Coordinating Committee, "A plan of action for relief and development aid to the West Bank and Gaza Strip", 20.02.91;
- Palestine (PLO), "Memorandum by the Department of Economic Affairs and Planning" (in Arabic), February 1991;
- The Agricultural Coop Union in the West Bank "Report on damages to the agricultural sector of the West Bank during the curfew" (in Arabic), 25.02.91.

48. The circumstances affecting the Palestinian economy in the period since 1987 have resulted in significant shifts in sectoral shares of GDP. Using two-year averages to smooth out cyclical variations, it is seen that from 1986/87 to 1989/90, the share of agriculture in GDP has grown from an annual average of 25 per cent to 31 per cent. Meanwhile, Palestinian industry has failed to increase its share of output, hovering around 9 per cent, and construction has become increasingly marginalized, falling from 17 to 14 per cent. These developments in the major productive sectors were accompanied by a fall in public and private services, trade, tourism and transport from an average annual figure of 49 per cent to 46 per cent of GDP. These shifts appear to indicate that, despite the severe constraints under which it performs, agriculture in the occupied territory has continued to grow, and has been capable of re-absorbing some of the labour displaced from jobs in Israel and efficiently allocating this labour supply to bolster sectoral growth. The fall in services' share of GDP reflects the increasing pressures upon, and decreasing resources of, public services in the emergency conditions since the uprising, as well as the problems faced by domestic branches such as retail and wholesale trade, transport and tourism in the period. The contraction in the construction sector, which in 1982 accounted for almost a fifth of GDP, is understandable in light of the pressure on savings and investment resources as a result of reduced personal income sources, especially since 1987. However, the continued sluggishness of the industrial sector in the occupied territory bodes ill for the future of the Palestinian economy. While industrial decline since 1987 might be a passing manifestation of production and marketing re-orientations since the uprising, it also reflects the under-utilized capacity of most establishments, the decrease in subcontracting activity for Israeli enterprises since the boycott of these relations, and the continuing marketing bottlenecks faced by most sectors, and by industry in particular. This situation gives rise to serious concern owing to the sectors's potentials for income and employment generation in the longer term as well as for market expansion to allow capacity utilization and economies of scale in output.

49. External financial resources, especially from work in Israel and from aid and remittances from elsewhere, continue to figure prominantly in Palestinian national income accounts, notwithstanding the changes they have undergone. Net factor payments have fallen at an average annual rate of 9 per cent, from $690 million in 1987 to under $550 million by 1990. The average annual decline was much sharper in the Gaza Strip, at some 17 per cent compared to 3 per cent in the West Bank, owing to the greater level of disturbances and the greater effectiveness of the imposition of Israeli measures there such as curfews, security controls and other barriers to entry into Israel. Palestinian gross national product (GNP) has thus fallen by an average annual rate of 11 per cent in the occupied territory, composed of declines of 10 and 16 per cent in the West Bank and Gaza Strip, respectively. On a per capita basis, GNP has fallen from $1,756 in 1987 to $1,147 in 1990, equivalent to a 13 per cent fall in real terms. This corresponds to 12 and 19 per cent falls in per capita GNP, to levels of $1,400 and $780, in the Gaza Strip and West Bank, respectively. Meanwhile, growing international assistance (from official and private sources) to the occupied territory until mid-1990 has posted an overall annual average increase of net transfers of some 14 per cent, rising from $130 million in 1987 to $290 million in 1989. However, the interruption of transfers in the second half of 1990 brought

their level down to an estimated $150 million, just over 50 per cent of the 1989 level. This has declined to a further low level in the first half of 1991, though transfers through the Cairo-Amman Bank had begun to pick up again by the middle of 1991 with the easing of tensions in the region.

50. Other major indicators reveal equally negative trends since 1987, reflecting the fall in aggregate demand, expenditure, savings and investment components. 56/ Private consumption fell at an average annual rate of 16 per cent in the occupied territory in 1988-1990, or by 14 and 19 per cent in the West Bank and Gaza Strip, respectively. Aggregate private consumption in the occupied territory accounted for 65 per cent of resources use in 1990 (calculated as a proportion of gross national disposable income) as opposed to 76 per cent prior to the uprising. The share of public consumption expenditure in resources use grew from 8 to 11 per cent on average per annum during 1987-1990, equivalent to an almost imperceptible change in real terms in the period. Public investment, however, fell at an average annual rate of some 27 per cent, reflecting cutbacks by the Israeli civil administration in "development" expenditures and the freezing of most infrastructure improvement in Palestinian localities in the period, especially in the West Bank.

51. The fall in income from various sources has led to efforts to mitigate its impact on real consumption. As a result, the level of savings has fallen and parts of the economy have engaged in dissaving. One source estimated in October 1990 that the accumulated savings in the territory were worth some $375 million; 57/ by February 1991, these were estimated to have decreased to some $250 million. 58/ Few families have saved enough to survive for more than a month at usual living standards. One Palestinian development expert has noted that "by living well below normal standards, they can survive but are creating a recession that could pauperize the merchants, the wholesalers who supply the merchants and the farms which supply the wholesalers". 59/

52. Private investment shows an average annual fall of some 4 per cent, or 6 and 1 per cent respectively in the West Bank and Gaza Strip in 1988-1990. However, this fall being less precipitous than that of domestic and national product, the investment ratio (investment/GDP) has remained around an annual average of 30 per cent. Although this constitutes a relatively strong ratio, its composition continues to be largely dominated by housing and construction investment; added to which is the fact that savings have been largely fuelled from non-domestic sources of income, which renders investment an unreliable factor in the growth of the domestic economy.

53. The performance of the Palestinian external trade sector has continued to worsen, with little indication of hope for improvement as markets are closed to Palestinian products and imports stagnate with the falling purchasing power of Palestinian consumers. Exports of goods and non-factor services fell at an average annual rate of 30 per cent in 1988-1990, constituted by an annual fall of 16 per cent and 50 per cent in the West Bank and Gaza Strip, respectively. Meanwhile, imports of goods and non-factor services also declined, by an average annual rate of 17 per cent, or 16 and 19 per cent in the West Bank and Gaza Strip, respectively. Thus, while conditions since 1987 appear to have had a similar impact on consumption throughout the occupied territory (as shown in similar rates of decline in private consumption expenditure and imports), there was a differential impact on production between the two areas

(shown in higher rates of decline in GDP and exports in the Gaza Strip). Meanwhile, the balance of payments on goods and services maintained the improved position established since the uprising and the consequent fall in imports, especially those from Israel. Despite the weak export performance, the occupied territory was able to hold the balance on goods and services in a surplus position, at some $35 million in 1990. This has been made possible through compensating for the fall in merchandise exports with relatively stable service exports (i.e. factor income from work in Israel) and lower levels of imports. The costs to longer-term economic growth which can arise from this continuing import compression have begun to be felt, in so far as domestic production is constrained by the interruption of certain raw material imports, thus affecting the scale, level and quality of output. This in turn reduces Palestinian export competitiveness as production costs rise and economies of scale become harder to achieve.

2. Population, labour force and major sectoral developments

54. Population growth in the occupied Palestinian territory did not show any notable change from trends established in previous years. 60/ Palestinian population growth held steady at an average annual rate of 3.4 per cent over 1988-1990, with the highest rates registered in the Gaza Strip. By mid-1990, the population of the occupied Palestinian territory was estimated to be at least 1,705,000, of whom some 147,000 lived in East Jerusalem, 933,000 in the rest of the West Bank and 625,000 in the Gaza Strip. The return since mid-1990 of Palestinian migrant workers to the region could give a significant boost to population growth rates, though it is too early to tell owing to the uncertain and incomplete data on the subject. If the total number of Palestinian migrants in the region with residency rights in the occupied territory is no more than 40,000, as most Israeli sources affirm, their return even over a short time-span would not in itself exert unbearable pressures on the domestic economy, assuming that conscious and well-considered employment-generation programmes were adopted to facilitate their re-absorption into the labour market. However, if the actual number is as high as 150,000-200,000 (as many others estimate) and they were to return in the coming period, coupled with a possible reversal of the negative "balance of population movement" out of the territory (over 15,000 persons in 1989) this would pose an extremely heavy burden on the economy. It is, therefore, not surprising that, in the uncertain and deteriorating economic conditions in the territory, those migrants with the means to do so have tried to remain in Jordan or other neighbouring Arab States to safeguard incomes and jobs that would otherwise be unavailable in the occupied territory. The situation of Palestinians originating in the Gaza Strip is especially precarious, as their legal status as "stateless" refugees restricts their movements in the region and elsewhere and deprives them of residency and employment rights in most countries.

55. By 1990, the labour force in the occupied territory (excluding East Jerusalem) numbered some 300,000, giving a labour force participation rate of 20 per cent, close to the level prevailing during most of the previous years. Official Israeli statistics (for 1989) indicate low levels and rates of unemployment, equivalent to some 11,000 persons (under 4 per cent of the labour force, not including that percentage of labour force working in Israel). All Palestinian sources, based on sample surveys and direct field observations, affirm much higher unemployment rates. 61/ While the

discrepancies might arise from inadequate surveying methods, an important factor is also related to definitions. Official statistics restrict the measurement of unemployment only to those unemployed persons officially registered at the civil administration's labour exchanges; Palestinian estimates also include many workers who are irregularly employed (underemployed or disguised unemployed) and focus on specific sectors or areas, producing empirical data which contradict published Israeli estimates.

56. One possible indicator of the size of this "grey area" of un(der)employment is revealed in Israeli statistics, under the heading of "employed persons, temporarily absent from work". The number of this category of employed persons jumped significantly with the beginning of the Palestinian uprising, from some 11,000 in 1987 to over 36,000 in 1988 and 26,000 in 1989. When added to the officially reported category of unemployed, these data give unemployment levels in 1988-1990 of between 37,000 and 44,000, or between 13 and 15 per cent, which appear to be more realistic estimates of the widespread unemployment reported in the occupied territory, especially since 1988. The massive unemployment that has emerged since early 1990, with the addition to the ranks of the unemployed of 40,000-50,000 Palestinians previously working in Israel will, if not dealt with quickly, send the unemployment rates to over 25 per cent, with up to 80,000 persons unable to find work locally or elsewhere.

57. The overall structure of the employed Palestinian labour force has remained more or less the same since 1988, though certain changes are increasingly apparent. Whereas 39 per cent (109,000 persons) of the total employed worked in Israel in 1987, this had fallen to 37 per cent (104,000) by 1989, with the number levelling to around 100,000 in 1990. This figure, however, should be viewed in the light of the fact that total labour supply (work-hours) to the Israeli economy from this mobile Palestinian labour force fell by over 20 per cent in the same period and stayed at that level in 1990. As regards the domestically employed labour force, trends in sectoral shares have not diverged widely from trends in sectoral shares of GDP, with little flexibility apparent over time, though minor fluctuations are usual from one year to the next. The share of agricultural employment in the occupied territory has remained stable with an annual average of 24 per cent since before the uprising; industrial employment has likewise hardly changed, with an annual average of around 16.5 per cent; the share of construction has increased marginally, from 11.1 per cent in 1986/87 to 11.5 per cent in 1989/90; the private and public services sectors combined are the only areas which exhibit more significant change, with a fall in the average annual share from 49.4 per cent in 1986/87 to 48 per cent in 1989/90.

58. On the whole, it appears from aggregate and labour force developments that the domestic economy has not yet commenced any discernable move towards a serious restructuring that might be evident in sectoral shares of output or employment. Productivity (GDP/domestic employment) for the economy as a whole fell by an average of 13 per cent annually from 1988-1990 slightly more than the fall in GDP in the period. While internal adjustments in sectoral policies might have improved production efficiency in some sectors, this has not been sufficient to boost output and sectoral growth, except perhaps in

agriculture. The relative sectoral productivity (i.e. sectoral productivity as a proportion of total productivity) of agriculture increased in 1987-1990, by an annual average of 15 per cent.

59. A brief survey of major sectoral developments serves to confirm and shed further light on the broad trends of deterioration in the Palestinian economy in 1990 and 1991. In agriculture, the Gaza Strip citrus crop, which is crucial to the sector's vitality in the Strip, continued to cope with chronic marketing bottlenecks. In the 1989/90 season, a record crop of 174,000 tons was mainly absorbed by Israeli juice factories (55 per cent), traditional Arab markets (28 per cent), eastern and western European markets (7 and 6 per cent respectively) and the rest was disposed of in West Bank markets (4 per cent). 62/ However, the closure of traditional markets in the 1990/91 season prompted efforts to re-direct exports to other markets, a change which is not easily achieved. By February 1991 the citrus crop was estimated at 140,000 tons, of which only 15,000 tons had been exported as compared to 50,000 tons at the same period in the previous year. 63/ Much of the rest of the quantities readied for export were either spoiled or sold to Israeli juice factories at very low prices. By early March, only 12 per cent of the produce had been picked, as compared to 50 per cent in previous years, prompting the head of the Citrus Producers' Union to declare the season as the worst on record since the Israeli occupation in 1967. 64/ By May, 65 per cent of the total crop had been marketed, with most of the rest lost. 65/ Prices remained low, causing further losses to producers who often had to sell below cost price in order to avoid debt and insolvency.

60. Poor rainfall until January 1991 affected the quality and levels of output in all branches, causing additional restrictions on already limited irrigation water supplies and encouraging the spread of pests and plant diseases. 66/ Losses were reported as from early 1991 in most branches: West Bank banana producers were unable to transport their produce across the bridges, and their losses mounted to hundreds of thousands of dollars; poultry breeders were threatened with total ruin as a result of the curfew conditions in early 1991 and a critical shortage of chicken feed imports; Hebron grape growers, who usually exported large quantities to Jordan and beyond, faced the dual pressure of no export opportunities and practically non-existant domestic demand, except at very low price levels - problems which equally affected melon and vegetable producers. 67/ Overall, the impact of developments in 1990-1991 on Palestinian agricultural production and marketing is reflected in data on the quantitites of agricultural produce entering Jordan from the occupied territories. In the August 1990-March 1991 period, a total of 18,000 tons of vegetables and fruits were exported to/through Jordan, compared to 30,000 tons in the same interval in 1989-1990, equivalent to a decrease of 40 per cent. Of course, the depressed market conditions also meant that produce was obtaining much lower prices than before to the crisis. 68/ Meanwhile, output from West Bank olive oil pressing was expected to reach 26,000-30,000 tons, prompting producers and cooperative marketing organizations to attempt to secure markets for some 25,000 tons. 69/ Olive production shortfalls, however, reduced the marketable surplus to under 20,000 tons, only part of which could be disposed of through the export arrangement referred to above. The fate of the bulk of the output (some 15,000 tons), most of which is usually exported to Arab markets, remained uncertain in mid-1991.

61. Industry in the occupied territory had to cope with similar constraints affecting production and marketing, even prior to the 1991 curfew. Only a few branches were able to maintain their market shares in Jordan, though exporting became increasingly difficult in view of Israeli restrictions and weak demand in the Jordanian market. During the curfew, factory owners had to continue paying overheads and outstanding debts for many weeks even though their production lines were stopped as from mid-January. The losses suffered by three major Bethlehem factories in the first two weeks of the curfew amounted to over $500,000, as a result of foregone production, inability to fulfil already placed orders and spoilage of goods in storage. 70/ The low point for many factories came in early February, when production had fallen to below 10 per cent of capacity. Workers were still unable to travel to work and employers were unable to obtain the necessary permits for movement of raw material imports from Israel and for the local or export marketing of products. The decrease in consumers' purchasing power as a consequence of reduced income was estimated to have caused a reduction in demand of 20-30 per cent of the level of production prior to the curfew. 71/ The situation was further complicated by a shortage of liquidity for many factory owners as money-changers, banks and suppliers stopped providing credit.

62. The closure of the Gaza Strip and the West Bank from East Jerusalem and from Israel added to the problems faced by producers with regard to obtaining raw materials. Those industrialists who were unable to obtain permits to cross the borders saw their factories close down for the whole curfew period, forcing a number to declare bankruptcy. By March 1991, permits became easier to obtain, and factories gradually resumed production, reportedly reaching 50 per cent of capacity by the middle of the month. 72/ In several cases, Israeli tax authorities demanded arbitrary income tax pre-payments for January and February of 1991. Tax collection authorities requested a weaving firm in Bethlehem to pay $60,000 in tax for January and $65,000 for February, during the period when production was hardly under way. 73/ Widespread tax collection campaigns were renewed by the authorities in March 1991, just when businessmen needed all available cash to revive their enterprises after the curfew. 74/ An important implication for Palestinian industry of developments in 1991 was the further curtailment of once widespread subcontracting arrangements, especially in textiles/clothing, construction materials and furniture. Although these relations had already been challenged by Palestinian initiatives prior to 1991, the closure of the occupied territory for a prolonged period and related developments will certainly act to restructure these subcontracting arrangements, possibly in line with the new Israeli policy approach of "taking the factories to the workers". Whereas, in the past, subcontracting involved established Palestinian factories in the occupied territory, a more pronounced role for Israeli direct investment might be expected in coming years if the new policy is put to action involving Israeli resources. 75/

63. In the Palestinian tourism sector, the crisis in the region and the territory had especially severe consequences. Already weakened as a result of years of neglect and unfavourable operating conditions, the sector was hardly in a position to withstand the pressures of the sharp fall in tourist arrivals and the high risk premium attached to travel to the Middle East region for many months during 1990-1991. 76/ In the five months prior to the 1991 curfew, it was reported that, as a result of cancelled hotel and tour

reservations, the domestic tourism sector (including hotels, travel agencies, tourist transport companies, handicrafts manufacturers and restaurants) had lost some $75 million. 77/ For the first time, Palestinian hotels were almost completely empty over the usually bustling Christmas season, with occupancy of East Jerusalem hotels reported at a mere 2 per cent. An unprecedented concomitant development was the closure of several mother-of-pearl factories in Bethlehem, while most smaller factories in nearby Beit Jala had done the same, unable to compensate for the loss of domestic markets with any alternative export marketing schemes. Needless to say, the curfew conditions effectively brought the sector to a complete halt, adding another estimated $15 million to its losses since August 1990. 78/ Some East Jerusalem and Bethlehem hotels have closed down completely; in another case, a hotel has been leased as office space. 79/ By early April only two of the 34 East Jerusalem hotels were open for business. The situation worsened further as the Jerusalem municipality presented hotels with tax bills that few could pay. An appeal by the Arab Hotel Association for an exemption from taxes until September 1991 was rejected; instead a 50 per cent discount was proposed. 80/ The fate of the Palestinian tourism sector now hangs in the balance more than at any time in the past.

C. Concluding observations

64. The cumulative impact of prolonged occupation of the West Bank and Gaza Strip had already led to major inadequacies in their economic structure and performance well before the recent crisis in the region. These deficiencies resulted from operating within the confines of long-standing restrictive Israeli measures and the absence of any indigenous and independent mechanisms for economic policy formulation and management. This restrictive regulatory framework is by and large still in force in the occupied territory and continues to discourage Palestinian economic growth and development. In this respect, the previous UNCTAD reports and studies have highlighted broad areas of economic policy reform and feasible measures capable of halting the further deterioration of the economy and promoting its self-reliance. Most of the observations made in that context remain valid today, especially as recent pressures have led to even greater declines in economic activity and have further fragmented the fragile structure of the economy and distorted the performance of its major sectors. The impact of these pressures is felt as an extra burden to that already shouldered by a weakened economy.

65. The situation thus calls for urgent and effective action on all levels, in a degree commensurate with the scale of losses experienced by the Palestinian economy since 1988. Recent policy re-orientations by the Israeli authorities are a welcome response to the crisis in the Palestinian economy, though their possible favourable impact remains to be seen, especially in view of their isolated and limited scope in relation to the scale of needs. While it remains difficult to envisage a comprehensive and sustained process of growth and development emerging under the severe conditions of foreign military occupation, much more can still be done by all concerned to halt the continuing decline in the Palestinian economy, and to encourage its immediate revival under a more secure and less hostile economic environment. Feasible policy measures emphasizing such goals can be envisaged and, as appropriate, implemented by the authorities, without this requiring a quid pro quo. Such

steps are necessary and are justified on economic grounds alone, irrespective of other possible considerations. Some areas and the relevant policy measures which require urgent attention are:

(a) A freeze on the expropriation of Palestinian land and on the expansion of Israeli settlement activity in the West Bank, including East Jerusalem, and in the Gaza Strip. Other pertinent considerations aside, such an initiative would allow the resumption of Palestinian agricultural, construction and industrial activity in a more smooth and certain manner;

(b) The long-term implications of the conflict for control of the water resources of West Bank and Gaza Strip prevent an immediate solution satisfactory to all parties. Meanwhile, the Israeli authorities are responsible for taking measures to safeguard the water resources of the occupied territory and for avoiding lasting and irreparable damage to these resources by ending overpumping and other indiscriminate measures which threaten the major West Bank and Gaza Strip aquifers with salination and depletion. These vital resources should be protected for the generations to come, regardless of the issues related to their control;

(c) A halt to collective punishments affecting the Palestinian economy. In particular, this should include an end to practices such as: uprooting of Palestinian orchards and destruction of houses; cutting electricity and water supplies; collective tax raids and arbitrary tax assessments and forced collection; restrictions on the area alloted to the Gaza Strip fishing industry; and, selective and erratic bans on vital exports;

(d) Permitting the unimpeded movement of goods and people at all times between different areas of the occupied territory, in particular between the West Bank and Gaza Strip and East Jerusalem and other parts of the West Bank, so as to encourage greater integration of Palestinian markets and a more rational allocation of factors of production in the territory;

(e) In a related sphere, the high transport fees, customs duties, inequitable terms of trade between the territory and Israel, and administrative complications affecting external trade still call for comprehensive reform and streamlining, in line with recommendations made in recent years by the UNCTAD secretariat. The long-awaited establishment of marketing facilities for Palestinian agricultural and industrial products could help to optimize the impact of such reforms;

(f) Bearing in mind the often penalizing effect that the prevailing tax assessment and collection measures have had on all sectors of the Palestinian economy, further moves can be made towards genuine reform of the fiscal system in the occupied territory, building on the preliminary steps recently announced for the Gaza Strip;

(g) While encouragement of entrepreneurial initiative through more liberal licensing of new projects is an essential step towards generating investment, job-creation and increased production, this measure could ultimately prove inadequate if it is not part of a package including the mobilization of domestic and external resources for investment, training, technological know-how, and marketing facilities and opportunities. The need

for an indigenous facility capable of evaluating and prioritizing investment decisions in the occupied territory remains pertinent and, so far, unaddressed; the secretariat's previous proposals in this regard could usefully be reconsidered; 81/

(h) The need for employment-generation programmes in the occupied territory to cope with massive unemployment has been recognised by all concerned and this issue surely must receive the requisite attention. While there are a number of possible areas and types of projects on which such an effort could concentrate, agricultural expansion and land reclamation, housing, public works and some branches of industry appear as the most promising immediate candidates for labour absorption schemes;

(i) Any successful employment-generation effort that ignores the need for parallel injection of investment capital into the economy in general, and into those sectors targeted for employment expansion in particular, could have the undesired effect of reversing some of the gains made over the years in productivity and resource allocation between and within sectors. While the need for expanded and improved investment in the occupied territory is not new, in itself the generation of tens of thousands of jobs calls for an impressive level of well balanced and strategically placed investments and the necessary local institutions and facilities capable of acting as efficient intermediaries for such financial flows;

(j) The need to include housing in the occupied territory as a top priority for investment, employment generation and overall development considerations has never been more pressing. The return of migrants from neighbouring States, the continued demolition of Palestinian homes, and the deteriorated state of Palestinian housing stock, especially for middle- and low-income groups, adds a special urgency to this issue;

(k) The possibilities of re-orienting Palestinian industrial subcontracting branches which previously dealt with Israel, (e.g. textiles and clothing, construction materials, food processing) towards employment-generation schemes and integration with existing import-substitution industries and with domestic housing programmes should be seriously investigated and the necessary incentives and technical requirements made available to encourage the effective reintegration of these branches into the domestic economy;

(l) In all this, the international community, and in particular the United Nations, has much to offer, both in encouraging those concerned to take the necessary steps for ameliorating the economic climate and in providing the necessary resources and expertise so urgently needed in the occupied Palestinian territory. A more concerted, intensified and well-focused effort by the international community is required if the Palestinian economy is to survive in the coming years.

Part II

REVIEW OF PROGRESS IN THE WORK OF THE SPECIAL ECONOMIC UNIT (PALESTINIAN PEOPLE), UNCTAD SECRETARIAT, 1990/1991

66. Pursuant to Conference resolutions 146 (VI) and 169 (VII) and the work programme of the UNCTAD secretariat for the biennium 1990-1991, the Special Economic Unit within the UNCTAD secretariat concentrated its work during the period under review (July 1990-June 1991) on four main areas of activity, namely: (a) monitoring and analysing policies and practices of Israeli occupation authorities that hamper economic development in the occupied Palestinian territory; (b) investigating the impact of such policies and practices on key economic sectors; (c) developing the data base of the Unit, including the dissemination of relevant qualitative and quantitative information on the economy of the occupied Palestinian territory; and, (d) coordinating with and contributing to the relevant activities of the organizations of the United Nations system pursuant to relevant General Assembly resolutions on assistance to the Palestinian people and economic and social conditions in the occupied Palestinian territory. In carrying out these activities, close consultations were maintained with Palestine and other authorities concerned.

67. In addition to the preparation of the 1991 report of the UNCTAD secretariat on "Recent economic developments in the occupied Palestinian territory" (TD/B/1305), work has been completed on the in-depth study of "Tourism and related activities in the economy of the occupied Palestinian territory", which is now planned for publication in the last quarter of 1991. The study examines the performance of this sector prior to and since the Israeli occupation, and includes an analysis of the importance of tourism for the Palestinian economy. Emphasis has been focused on the factors that have hampered the performance of this sector up to 1987 and subsequently during the Palestinian uprising. Special attention is given to an assessment of its immediate outlook and needs for revival, including measures for immediate action. The prospects for the sustained growth and long-term development of the sector will be investigated separately within the frame of the overall inter-sectoral study. To the extent possible, and where relevant, attempts have been made to coordinate these efforts with those of the World Tourism Organization (WTO), including through holding consultations on substantive issues with the relevant staff of WTO.

68. The UNCTAD secretariat intensifed work on the implementation of the project for an inter-sectoral study provisionally entitled "The West Bank and Gaza Strip: prospects for sustained economic and social development". Within the overall frame of this study, 27 main sectors, subsectors and issues were identified for in-depth investigation. Detailed outlines were developed and 25 specific studies have been commissioned covering the following economic and social sectors/issues:

1. Population and demography
2. Public administration
3. Aggregate economic and social performance
4. Labour, employment and human resources
5. Money and banking
6. Public finance
7. Agriculture
8. Manufacturing industries
9. Mining and quarrying
10. Energy resources and development needs
11. Public utilities
12. Housing and construction
13. Israeli settlements
14. Merchandise trade
15. Services
16. Transport and communications
17. Education system
18. Public health conditions and services
19. Social welfare services
20. Women in development
21. International assistance
22. Socio-economic statistics
23. Water resources
24. Dynamics of social change
25. Tourism and related activities.

69. The outlines of the studies are structured in such a manner as to correspond to the three parts of the general outline of the overall inter-sectoral study itself. They are, as such, designed to provide for: an analysis and assessment of economic and social developments over the past 24 years of occupation; an investigation of prospects for the future; and, the formulation of a frame of reference for feasible strategies, policy options and measures for action. Accordingly, 27 experts have been commissioned to prepare these studies. A team of senior development experts has also been engaged to assist the UNCTAD secretariat in the evaluation and review of the individual studies and in investigating prospects for the future development of the occupied Palestinian territory.

70. To the extent possible, the outlines of the specific studies were also brought to the attention of the relevant organizations of the United Nations system with a view to coordinating efforts and soliciting their observations and possible contributions. These include the Food and Agriculture Organization of the United Nations (FAO), the United Nations Industrial Development Organization (UNIDO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), World Health Organization (WHO), the International Labour Organisation (ILO), United Nations Relief and Work Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Centre for Human Settlements (UNCHS) Habitat, and the United Nations Development Programme (UNDP), as well as the Department of International Economic and Social Affairs (DIESA), the Department of Technical Cooperation for Development (DTCD), the Centre for Social Development and Humanitarian Affairs - Division for the Advancement of Women (CSDHA) and the United Nations Economic and Social Commission for Western Asia (ESCWA). All these organizations and bodies have responded positively, indicating their willingness to cooperate in the preparation of the inter-sectoral study; most have also provided UNCTAD with their substantive contributions towards the preparation of the inter-sectoral study by providing observations and research material as inputs to those specific studies of interest to them.

71. Similar contacts were established with regional Arab and other organizations involved in providing assistance to the Palestinian people. These included the OPEC Fund for International Development, the Arab Organization for Agricultural Development, the Arab Organization for Mining and Industrial Development, the Islamic Development Bank, and the Arab Fund for Economic and Social Development, as well as the General Secretariat of the League of Arab States. The Arab Organization for Mining and Industrial Development, the OPEC Fund for International Development and the General Secretariat of the League of Arab States also made financial contributions which have been applied to the investigation of sectors/issues of relevance to the concerns of the contributing agencies.

72. In view of the positive and encouraging responses received from both international and regional organizations, the UNCTAD secretariat will endeavour to benefit from their expertise and to promote further cooperation with each one of them towards the completion of the inter-sectoral study, thus providing an integrated framework which will aim at effectively guiding the nature, magnitude and direction of international assistance to the Palestinian people and enhancing its effectiveness.

73. Parallel to embarking on the preparation of the in-depth specific studies, the UNCTAD secretariat has also initiated work on developing a conceptual and analytical framework which will provide technical guidelines for investigating, under different scenarios, future prospects in each economic and social field where a specific study is being prepared. The findings emerging from the specific studies as a result will be subsequently integrated into a substantive frame of reference outlining development prospects, strategies and policy options for action at various levels. The inter-sectoral study project is now expected to be completed by the first semester of 1992, owing to the operational and research difficulties encountered as a result of the crisis in the region. For further details on progress in the implementation of the project, reference may be made to the Note by the Secretary-General of the United Nations on the "Living conditions of the Palestinian people" (A/46/262; E/1991/95).

74. During the period under review, the work of the secretariat on its database on the economy of the occupied Palestinian territory included the publication of the "Data base extracts on economic issues and related Israeli practices in the occupied Palestinian territory (West Bank and Gaza Strip), January-December 1989" (UNCTAD/RDP/SEU/4). This is the fourth in the series of monitoring reports on economic issues and related Israeli policies and practices in the occupied Palestinian territory. Along with the previous issues, the document is intended to: (i) constitute a cumulative and chronological selected record of major developments and related issues which dominated economic activities in the occupied Palestinian territory; (ii) serve as a useful cumulative source of reference for further investigation of the issues concerned; and, (iii) supplement both quantitative and qualitative information and analysis contained in the reports and studies undertaken by the UNCTAD secretariat on the economy of the occupied Palestinian territory.

75. Work was intensified on the structuring of the statistical series in the Special Economic Unit's data base on the economy of the occupied Palestinian territory in line with the Economic Time Series in use at the UNCTAD secretariat. This entailed the identification of data sources, followed by the classification, entry, verification and tabulation of available series for the period 1968-1987, covering national income accounts, balance of payments, external merchandise trade, population and labour force. Apart from serving as a consolidated source of quantitative information on the Palestinian economy for over 20 years of the occupation period, the new statistical series also provide the basis for the exercise which is under way in the UNCTAD secretariat on assessing future growth trends and establishing targets under different scenarios, in connection with the preparation of the overall inter-sectoral study mentioned above. An appropriate selection from these series will be published in due course.

76. In line with work programme requirements and coupled with the provisions of resolutions adopted by the General Assembly during the period under review, the UNCTAD secretariat has intensified efforts to strengthen coordination and cooperation with the increasing number of United Nations organizations, international non-governmental organizations and others that are involved in work on, and/or concerned with, the economic and social situation of the Palestinian people in the occupied Palestinian territory. This included fielding missions to Amman and Cairo.

Notes

1/ The designations "the occupied territory" and "the territory" in this report refer to the occupied Palestinian territory (i.e., the West Bank including East Jerusalem, and the Gaza Strip).

2/ See, for example, "Recent economic developments in the occupied Palestinian territory" (TD/B/1183); (TD/B/1221) and (TD/B/1266); "The Palestinian financial sector under Israeli occupation" (UNCTAD/ST/SEU/3/Rev.1) and "Palestinian external trade under Israeli occupation" (UNCTAD/RDP/SEU/1).

3/ Unless otherwise indicated, this section is based on information compiled from: I. Abdel Hadi (ed.), The impact of the Gulf crisis on the economic situation in the Palestinian occupied territories (Ramallah, Bisan, 1990) (in Arabic); "Memorandum by Palestinian personalities to the Consuls General, East Jerusalem", 18.09.90; Palestine (PLO), Department of Economic Affairs and Planning, "Direct economic losses sustained by the Palestinians as a result of the Gulf crisis" 21.09.90; Jordan, Ministry of Foreign Affairs, Department of Palestine Affairs, "Estimates of some losses affecting the occupied territory as a result of the conditions in the Gulf", January 1991. Jerusalem Post, 23.08.90, 30.08.90, 11.09.90, 13.11.90, 14.01.91; Al-Fajr, 03.09.90, 10.09.90, 17.09.90, 08.10.90, Al-Hayat (in Arabic), 29.09.90, 10.01.91; Al-Quds (in Arabic), 22/23.09.90; Al-Shaab (in Arabic), 13.01.91; Financial Times, 28.09.90; Sawt al Watan (in Arabic), November 1990; Filasteen al Thawra (in Arabic), 16.09.90, 25.11.90; Al Yawm al Sabi' (in Arabic) 7.01.91.

4/ See "The Palestinian financial sector ...", op. cit., (UNCTAD/ST/SEU/3/Rev.1), para. 5 and tables 1 and 2.

5/ "Memorandum by Palestinian personalities ...", op. cit. Other sources put the figure at no more than 50,000 (Jerusalem Post, 11.09.90).

6/ Standard statistical definitions differentiate between external "factor income" which accrues to residents (even if temporarily working abroad) and "private unrequited transfers" which accrue to residents in the territory from non-residents abroad. Unless otherwise mentioned here, the term "remittance" is understood to cover both "factor income" and "private transfers" from work elsewhere than in Israel.

7/ See section B for further details.

8/ "Memorandum ..." op. cit.; Financial Times, 28.09.91.; Jerusalem Post, 13.11.91.

9/ Jerusalem Post, 11.09.90; 13.11.90; 14.01.91.

10/ Al-Fajr, 03.09.90.

11/ Al-Hayat, 20.09.90 (in Arabic).

12/ G.T. Abed, "The Palestinians and the Gulf Crisis", Journal of Palestine Studies, No. 78, Winter 1991.

13/ See, e.g., Financial Times, 28.09.91.

14/ Jerusalem Post, 30.08.90.

15/ See section B for a description of the sources of these estimates.

16/ Unless otherwise indicated, information on the impact of Israeli measures in conjunction with the regional crisis are compiled from: "Memorandum by Nablus Municipality and Institutions" (in Arabic), 01.02.91; Palestinian Agricultural Relief Committees, "Report on the economic costs to the agricultural sector from the prolonged curfew in the occupied territories", 01.02.91; Betselem, "Memorandum on the impact of the curfew", 15.02.91; "Proposal by Palestinian credit institutions to the EEC for channeling funds to the three sectors of the economy of the West Bank, Gaza Strip", March, 1991; Palestine (PLO), "Memorandum of the higher committee for the occupied homeland", (in Arabic): 31.01.91, 30.03.91; Palestine Economic Planning and Coordinating Committee, "A plan of action for relief and development aid to the West Bank and Gaza Strip", 20.02.91; Palestine (PLO), "Memorandum by the Department of Economic Affairs and Planning" (in Arabic): February 1991; The Agricultural Coop Union in the West Bank "Report on damages to the agricultural sector of the West Bank during the curfew" (in Arabic), 25.02.91; Jerusalem Post, 29.08.90, 25.01.91, 31.01.91, 01.02.91, 05.02.91, 07.02.91, 08.02.91, 10.02.91, 11.02.91, 14.02.91, 21.02.91, 04.03.91; Al Fajr, 17.09.90, 28.01.91, 04.02.91, 11.02.91, 18.02.91, 06.05.91; Al Hayat (in Arabic), 15.02.91, 19.02.91; Al Shaab (in Arabic), 10.03.91; Filasteen al Thawra (in Arabic), 24.03.91; Al Quds (in Arabic), 08.04.91.

17/ For further details, see section B. below.

18/ In the third week of the curfew, the Israeli Minister of Defence was reported to have said that the hardships it caused were a direct outgrowth of the state of war and that the authorities were ready to lift the burden of the curfew "provided that easing the restrictions does not lead to unrest ..." (Jerusalem Post, 05.02.91). Before that, the international non-governmental organizations active in the occupied territory had affirmed that "it is unreasonable to argue any longer ... that public order must be maintained in the occupied territories by prolonging the curfew (which) has been imposed on a defenceless civilian population who are not at war ..." (Al-Fajr, 28.01.91). This viewpoint was subsequently echoed by Israeli human rights organizations; one held that "what may have been justified in the first few days of the curfew cannot be justified if it continues for a month or more" (Jerusalem Post, 14.02.91). Another argued that "the ongoing obligation to balance obvious security needs against the well-being of the residents of the territories, whose welfare rests in government hands, remains" (Al-Fajr, 18.02.91). The Secretary-General of the United Nations has reported that "... the curfews imposed on the occupied territories were extended well beyond the time when Israeli citizens began to resume their daily routines" ("Report submitted to the Security Council by the Secretary-General in accordance with resolution 681 (1990)", 2 April 1991, (S/22472), para. 23.

19/ For vivid personal accounts of curfew conditions in Palestinian refugee camps, see UNRWA, Palestine Refugees Today, No. 129, April 1991, pp. 6-10.

20/ Filasteen al Thawra, 24.03.91 (in Arabic).

21/ See "Recent economic developments ..." (TD/B/1266), para. 21. Unless otherwise indicated, information on expropriation of land and expansion of settlements is compiled from: Jordan, Ministry of Foreign Affairs, Department of Palestine Affairs, "Report on Israeli settlement activities", March and April 1991 (in Arabic); Jerusalem Post, 03.07.90, 15.07.90, 05.08.90, 03.09.90, 08.10.90, 23.11.90, 17.02.91, 21.02.91, 22.02.91, 11.03.91, 22.03.91, 08.04.91, 09.04.91, 22.04.91, 25.04.91, 26.04.91, 10.05.91, 17.05.91, 04.06.91, 07.06.91; Al Fajr, 03.12.90, 31.12.90, 18.03.91, 01.04.91, 08.04.91, 15.04.91, 22.04.91, 29.04.91, 13.05.91, 03.06.91; Filasteen Al-Thawra (in Arabic), 28.10.90, 12.05.91; Financial Times, 18.06.91.

22/ 1 dunum = 0.25 acres = 0.025 ha.

23/ Israeli Minister of Housing in Jerusalem Post, 08.04.91.

24/ See Jerusalem Post, 26.04.91, 17.05.91, 04.06.91; Al Fajr, 13.05.91, 03.06.91.

25/ See Jerusalem Post, 17.02.91, 22.03.91, 09.04.91, 04.06.91, 07.06.91; Al Fajr, 18.03.91.

26/ Financial Times, 18.06.91.

27/ Unless otherwise indicated, information on new controls on the movement of Palestinian labour into Israel is compiled from: The League of Arab States, "Memorandum on the conditions of Arab workers in the occupied Palestinian territories" (in Arabic), 15.03.91; Jerusalem Post, 25.10.90, 26.10.90, 28.10.90, 29.10.90, 31.10.90, 02.11.90, 19.11.90, 22.11.90, 04.12.90, 02.01.91, 03.01.91, 17.03.91, 19.03.91, 02.04.91, 12.04.91; Al Fajr, 05.11.90, 19.11.90, 03.12.90, 31.12.90, 29.01.91, 06.05.91; International Herald Tribune, 28.11.90; Filasteen Al-Thawra (in Arabic), 17.03.91.

28/ See the annual reports of the Director-General of the International Labour Office (ILO) which have monitored these issues since 1979, the most recent of which is ILO, "Report of the Director-General", Appendices (Vol. 2), 1991.

29/ Jerusalem Post, 29.10.90.

30/ Jerusalem Post, 31.10.90.

31/ Jerusalem Post, 12.04.91.

32/ The general policy environment in which the Palestinian economy operates is documented and analysed in previous UNCTAD reports and studies. Unless otherwise indicated, information presented below on arbitrary Israeli measures affecting the Palestinian economy during the period is compiled from: Jerusalem Post, 01.07.90, 23.07.90, 09.04.91, 05.06.91; Al Fajr, 30.07.90, 06.08.90, 15.10.90, 03.12.90, 25.02.91, 11.03.91, 15.04.91.

33/ For further details of aggregate and per capita consumption of Palestinian water, including that pumped to Israel and its settlements, see "Recent economic developments ..." (TD/B/1266), paras. 18-19. Local Palestinian institutions and experts have also been paying increasing attention to the water issue, as witnessed by the special seminars and projects organized by local hydrologists and engineers over the year in the West Bank.

34/ For a revealing account of water issues in the West Bank, see Filasteen Al-Thawra (in Arabic), 04.11.90, 11.11.90.

35/ The Israeli Minister of Agriculture in Jerusalem Post, 21.08.91.

36/ Jerusalem Post, 24.08.90.

37/ Jerusalem Post, 02.12.90.

38/ Jerusalem Post, 16.07.90; Al Hayat (in Arabic), 23.07.90.

39/ Al Quds (in Arabic), 02.12.90.

40/ See, "Recent economic developments ..." (TD/B/1221) paragraphs 6-14 and "Recent economic developments ..." TD/B/1266, paras. 6, 28-29, and 31-33.

41/ Unless otherwise indicated, information on recent Palestinian economic initiatives is compiled from: Jerusalem Post, 29.07.90, 14.08.90, 30.08.90, 08.03.91; Al Hayat (in Arabic), 06.07.90, 30.08.90, 19.12.90, 31.03.91; Al Fajr, 23.07.90, 27.08.90, 03.09.90, 24.09.90, 06.05.91, 03.06.91, Filasteen al Thawra (in Arabic), 05.08.90, 12.08.90; Financial Times, 04.10.90.

42/ Al Fajr, 18.02.91.

43/ Unless otherwise indicated, information on recent easing of Israeli economic restrictions is compiled from: Jerusalem Post, 09.08.90, 23.08.90, 27.08.90, 11.01.91, 21.03.91, 21.05.91, 10.06.91; Financial Times, 19.07.90, 11.06.91; Al Fajr, 31.12.90; Al Hayat (in Arabic), 28.12.90; Al Shaab (in Arabic), 02.01.91; Al Quds (in Arabic), 03.06.91.

44/ Jerusalem Post, 11.01.91.

45/ The recent changes in tax policies are a few of those suggested in an UNCTAD secretariat study in 1987. See, "The Palestinian financial sector ..." (UNCTAD/ST/SEU/3/Rev.1). Further tax reforms, including cuts in rates and exemption levels in both the West Bank and Gaza Strip have been promised for later in 1991 (Financial Times, 04.07.91).

46/ See United Nations, "Assistance to the Palestinian people - Report of the Secretary-General" (A/46/204; E/1991/80), 29 May 1991.

47/ Ibid., paras. 28-31.

48/ "Report of the Secretary-General ..." (S/22472).

49/ UNRWA Press release HQ/17/91, 7 June 1991.

50/ Ibid.

51/ See Jerusalem Post, 20.07.90; Al Fajr, 11.03.91, 18.03.91; UNRWA, "Press release HQ/12/91": 27.03.91, 07.06.91.

52/ This was announced, inter alia, in the statement by the representative of the European Communites before the seventy-seventh session of the International Labour Conference, 13 June 1991.

53/ Israel, CBS, Judea, Samaria and Gaza Area Statistics, Vol. XIX, (Jerusalem, CBS, 1991) p. vii.

54/ Unless otherwise indicated, data in this section do not cover East Jerusalem, which is excluded from Israeli statistics on the occupied territory.

55/ The use of annual averages based on data for three years, two of which were "good" olive years in the West Bank, somewhat overstates the real growth rate of agriculture; for the two-year period of 1988-1989, actual growth in agriculture averaged around 7 per cent per annum.

56/ Overall, among the least reliable data estimates that are presented in Israeli and Palestinian sources are those related to private consumption and investment, owing mainly to the inadequacy of investigation techniques and poor reporting by surveyed households.

57/ Al-Fajr, 08.10.90.

58/ Jerusalem Post, 08.02.91.

59/ Jerusalem Post, 08.02.91.

60/ Unless otherwise indicated, information on population and labour force developments in 1987-1989 is from Israel, CBS, Statistical Abstract of Israel, (Jerusalem, CBS, 1990). Estimates for 1990 are extrapolated on the basis of 1987-1989 trends, with reference to the Palestinian data sources quoted above and in table 1.

61/ See ILO, "Report of the ...", op. cit.

62/ Al-Fajr, 17.09.90.

63/ Al Fajr, 04.02.91, 11.02.91.

64/ Al-Fajr, 04.03.91.

65/ Al-Ittihad, 09.05.91 (in Arabic).

66/ Al Fajr, 17.12.90.

67/ Al-Hayat, 15.02.91 (in Arabic).

68/ Jordan, Ministry of Agriculture, Department of Planning and Agricultural Economy "Statistical tables" (Amman, unpublished, 1991) (in Arabic).

69/ Al-Fajr, 08.10.91, 18.02.91.

70/ Al-Taliah, 31.01.91 (in Arabic).

71/ "Proposal to the EEC ..." op. cit.

72/ Jerusalem Post, 21.03.91.

73/ Al-Fajr, 06.05.91.

74/ Jerusalem Post, 08.03.91.

75/ Ibid.

76/ For a review and analysis of developments in this sector until 1990, see the forthcoming UNCTAD secretariat study "Tourism and related activities in the economy of the occupied Palestinian territory" (UNCTAD/RDP/SEU/7).

77/ Al-Fajr, 31.12.91.

78/ "Proposal to EEC ..." op. cit.

79/ Aseel information and research bulletin, 30.03.91 (in Arabic).

80/ Al-Fajr, 15.04.91; Jerusalem Post, 09.04.91.

81/ See UNCTAD, "Investment project evaluation centre for the West Bank and Gaza Strip" (UNCTAD/RDP/SEU/Misc.1).